DOCUMENT RESUME

ED 231 296 HE 016 350

AUTHOR Smith, Hayden W.
TITLE A Profile of Corporate Contributions.
INSTITUTION Council for Financial Aid to Education, New York, N.Y.
PUB DATE Apr 83
NOTE 50p.
AVAILABLE FROM Council for Financial Aid to Education, 680 Fifth Avenue, New York, NY 10019 ($10.00).
PUB TYPE Viewpoints (120) -- Reports - Research/Technical (143)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Business; *Donors; Economic Factors; Higher Education; Income; *Industry; Organization Size (Groups); *Philanthropic Foundations; *Private Financial Support; School Business Relationship
IDENTIFIERS *Corporate Support

ABSTRACT

The extent and distribution of charitable contributions by corporations were studied. In addition to a history of giving from 1936 to 1981, information is presented on corporate contributions in 1977 in terms of the distribution of companies (1) by size of contributions, (2) by contributions as percentage of net income, (3) by industry, and (4) by size of company as measured by total assets. Findings include the following: total corporate charitable contributions, as reported for tax purposes, rose from nearly $800 million in 1970 to about $1.8 million in 1977, but the distribution of corporations in terms of amounts and percentages of giving did not change appreciably; more than 90 percent of corporations with assets over $1 billion reported contributions; more than 80 percent of companies with $25 million or more of assets reported contributions; and the largest donors accounted for half of all contributions but only 40 percent of corporate taxable income. Appended materials include: a discussion of the quality of Internal Revenue Service contributions data; a discussion of the measurement of corporate giving as a percentage of corporate profits; and an article on a similar 1970 study entitled, "Corporate Giving Measures" by Thomas Vasquez. (SW)

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Council for Financial
Aid to Education

A Profile of Corporate Contributions

Hayden W. Smith
Senior Vice President
Council for Financial Aid to Education

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Highlights

1. Total corporate charitable contributions, as reported for tax purposes, rose from nearly $800 million in 1970 to about $1.8 billion in 1977, but the distribution of corporations in terms of amounts and percentages of giving did not change appreciably. In fact, contributions have fluctuated within the narrow range of 0.8 percent to 1.2 percent of profits before taxes for 25 years.

2. More than 90 percent of corporations with assets over $1 billion reported contributions. More than 80 percent of companies with $25 million or more of assets reported contributions.

3. The largest donors, those giving more than $500,000 each, accounted for half of all contributions but only 40 percent of corporate taxable income. On the average, therefore, they gave at a higher percentage of income than the corporate world as a whole.

4. The vast majority of companies that reported no contributions on their 1977 tax returns were either:
   (a) companies with a net loss or with a very small profit (averaging $43,000); or
   (b) very small companies with less than one-tenth the assets of companies reporting contributions; or
   (c) companies whose corporate foundations made all their contributions in 1977; or
   (d) companies that do not take contributions into account in figuring their income tax.

5. In light of the facts detailed above, the frequently heard assertion that "only about 20 percent of all corporations give anything at all" grossly misrepresents the giving record of those major companies that the public thinks of as corporate America.

6. When small companies give, they tend to give at a higher percentage of their net taxable incomes than do large corporations.

7. More than 11 percent of the companies reporting contributions gave 5.0 percent or more of their net taxable incomes.

A Profile of Corporate Contributions

Hayden W. Smith
Senior Vice President, CFAE

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A grant from the Atlantic Richfield Foundation made possible the printing and distribution of this monograph.

About the Author

Hayden W. Smith did his undergraduate and graduate work in economics at Stanford University. Following a teaching stint at the University of California (Davis), he spent twelve years with the Standard Oil Company of New Jersey (now Exxon Corporation) as senior economic advisor. He joined CFAE in 1968 and is presently senior vice president.

About the Council

The Council for Financial Aid to Education (CFAE), a nonprofit service organization, promotes increased voluntary support of higher education by all sources, but especially by the corporate community. It was founded in 1952 by five prominent business leaders, the chairmen of United States Steel, General Motors, Exxon, Container Corporation and Armstrong Cork.

CFAE staff members call personally upon hundreds of top-echelon business executives every year to offer help in developing aid-to-education programs that will advance corporate objectives while helping to meet the financial needs of higher education.

CFAE publishes an annual report on voluntary support received by colleges and universities, an annual report on corporate support of higher education, "how-to" manuals and other materials designed to broaden the base of educational support.

CFAE also sponsors the nationwide public-service advertising campaign, "Give to the college of your choice," through the Advertising Council.

CFAE itself neither solicits nor disburses funds for higher education. Originally funded by four major foundations – the Carnegie Corporation of New York, the Ford Foundation, the Rockefeller Foundation and the Alfred P. Sloan Foundation – CFAE now draws its support from more than 425 leading American corporations.

April 1983

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Foreword

This study presents entirely new evidence about the extent to which corporations make charitable contributions and how the corporate community's giving is distributed by size of company, by industry, and by levels of giving. Its objective is to set forth the data on corporate giving reported to the Internal Revenue Service and to dispel some of the misunderstandings that have arisen in this area.

The major misunderstanding about corporate giving is that the corporate world has not been very responsive to the philanthropic needs of our society. This impression has arisen from the oft-repeated statement that "only about 20 percent of all corporations give anything at all to charity." People have been shocked or dismayed by this statement because they think of the "corporate world" in terms of the large national and multinational corporations that dominate the production and distribution of goods and services. In fact, however, the vast majority of corporations in the United States – more than two million of them – are very small firms owned by individuals, families, or small groups of individuals who may choose to make their charitable contributions as individual rather than corporate gifts. Although the legal form of these small enterprises is corporate, they have little in common with what we normally think of as "the corporate community."

This study demonstrates that the largest companies – those with assets of $1 billion or more – dominate corporate contributions as much as they dominate sales, assets, and earnings.

Among these giant firms, more than nine out of ten – better than 90 percent – reported charitable contributions on their 1977 income tax returns. The average amount of their contributions was in excess of $1.3 million. By contrast, among the 1.2 million very small companies with assets of less than $500,000, only 30 percent reported any contribution, with an average of slightly less than $300. The record of "the corporate community," as most people think of it, therefore, has been badly distorted by the inclusion in earlier statistics of many hundreds of thousands of very small enterprises.

Among corporations, large and small, that report contributions, there are large variations in levels of giving as percentages of income and of assets. The small companies that do give tend to give at higher percentages of income and assets than do the large corporations, and this finding is consistent with survey data gathered annually for many years.

This monograph contains several other surprising findings. Corporate giving is very highly concentrated: 438 companies – those giving $500,000 or more – accounted for half of all corporate contributions in 1977. Yet these same 438 companies accounted for barely 40 percent of corporate taxable income. On the average, therefore, these donors gave at a higher percentage of income than did the corporate universe as a whole.

Interestingly enough, nearly 59,000 companies gave 5 percent or more of their taxable income to charity in 1977. These companies accounted for one-fourth of total corporate contributions, even though they comprised but 4 percent of the companies reporting a profit and 11 percent of the companies reporting contributions.

While there is clearly a potential for increased contributions from the corporate community, it is probably a more limited potential than many may have imagined. The data in this monograph provide a basis for an intelligent appraisal of what that potential may be. The large, publicly held companies are already contributing at substantial levels. They can be induced to give more, but they have much less freedom of action in this area than small and medium-sized companies.

Total corporate contributions reported on corporate income tax returns amounted to $1.79 billion in 1977. While the tax returns for the most recent years have yet to be tabulated, the best available estimates indicate that total corporate giving amounted to roughly $3.0 billion in both 1981 and 1982. These are encouraging figures in view of the economic uncertainties of the period and are a testimony to corporate dedication to meaningful philanthropy.

John Haire, President, CFAE

Introduction

This monograph extends the known facts about the corporate community's charitable contributions, as reported to the Internal Revenue Service, from 1970, the year upon which the first in-depth study of this subject was based, to 1977 and expands the analysis in considerable detail.

The casual reader may well regard any conclusions based on 1977 data as of little interest in 1983. This would be an error because, as this paper indicates, the patterns of corporate giving change very slowly. Indeed, the structure of the corporate community with respect to charitable giving has been relatively stable, and that finding itself is important.

The value of the analysis is not so much in the currency of the numbers as it is in the consistency of the data over time. There are trends, and these may be expected to continue, but the general profile of corporate contributions appears to have been relatively constant. This may change in significant ways in the future, especially in view of the recent upsurge of interest in corporate charitable contributions. Should there be any such changes, this monograph will serve as a point of departure for future research aimed at assessing the nature and extent of those changes.*

The Origins of Current Interest

Since early 1981 expectations have arisen in the minds of many that business corporations would expand their philanthropic giving sufficiently to fill a substantial part of the gap caused by the cuts in federal spending for a broad array of social programs. Such expectations are unrealistic, largely because of the lack of public understanding about the extent and characteristics of corporate giving and the role and accomplishments of corporations as a vital part of American society. Although there is enough information available to support a better level of understanding in this area, such information has been disseminated rather slowly and incompletely.

Present knowledge about corporate contributions is based upon a relatively small amount of research. And, like the practice of corporate giving itself, this research is of comparatively recent vintage. Prior to 1974, the only data on total giving were those tabulated by the Internal Revenue Service from corporate income tax returns. Both The Conference Board and the Council for Financial Aid to Education had conducted surveys of company giving, but in each case the figures were limited to reports submitted by fewer than 500 firms. Two or three scholars had delved into corporate giving practices and published their findings, but these works were virtually unknown outside a small circle.

Two events in 1974 materially advanced the state of knowledge in this area. The independent surveys of The Conference Board and the Council for Financial Aid to Education were merged into a jointly sponsored Annual Survey of Corporate Contributions, and the Commission on Private Philanthropy and Public Needs (the Filer Commission) undertook to examine the corporate giving picture in depth.

One of the Filer Commission's projects was a paper by Thomas Vasquez, of the U.S. Department of the Treasury, which presented the first comprehensive analysis of the data available in the IRS tax file. That paper is included in this monograph as Appendix C.*

The Vasquez study is responsible for much of the current commentary about corporate contributions and much of the inflated expectations about potential future levels of corporate giving. Vasquez reported that only about 20 percent of all corporations reported any contributions in their 1970 tax returns and that fewer than 7 percent reported giving as much as $500. Vasquez also found that among the companies that reported a taxable profit in 1970, only 32 percent reported any contributions and only 10 percent reported $500 or more. These numbers have become part of the conventional wisdom about corporate giving, and they are quoted frequently as evidence that the corporate community does not perform well in this area of social responsibility. They also form the basis for projecting very large potential increases in total corporate contributions. All that is needed, according to those who rely on these numbers, is to persuade the nation's corporations to respond more generously to the dictates of good citizenship by contributing to the voluntary sector at levels permitted by the tax law.

Even prior to the recent shift in federal budget policy there was an evident need to replicate the Vasquez study with more recent data and to extend the analysis in greater detail. That study was based on the 1970 tax file which was the most recent database available at the time the study was commissioned. It is clear that 1970 was not a typical year for the corporate community nor a typical year for corporate contributions; it was a year of economic recession, a year in which corporate profits declined for a second year in a row, and a year which saw the end to a special 10 percent income tax surcharge which is now known to have caused some distortion in the pattern of corporate giving (see Chart 1). Moreover, the Annual Surveys of Corporate Contributions indicated that there was a discontinuity in the growth of corporate contributions after 1975. This gave further urgency to the need to update the findings of the Vasquez study and to compare the results across a time span of reasonable length. With these thoughts in mind, the author of this monograph approached the

**The term "charitable" is used here in the broadest, generally accepted meaning of the word. It includes all of the activities carried on by organizations in the nonprofit sector that are described in Section 170(c) of the Internal Revenue Code of 1954, as amended. Specifically it includes religious, health, education, literary, scientific, civic, artistic, cultural, and environmental organizations as well as those that are, strictly speaking, charitable.*

**Thomas Vasquez, "Corporate Giving Measures," Research Papers Sponsored By The Commission on Private Philanthropy and Public Needs, Washington, Department of the Treasury, 1977, pp. 1839-1852.*

Treasury Department for permission to use the 1977 tax file to update the earlier study. It is with a deep sense of gratitude that the author acknowledges the cooperation of the Treasury Department in making this monograph possible and his debt to Thomas Vasquez, Howard Nester, and Thomas Rosen for their assistance with this project.

What is "The Corporate Community?"

More than 2.2 million corporations filed federal income tax returns in 1977, an increase of nearly 30 percent over the number in 1970. Just over 525,000 companies reported charitable contributions: slightly more than 23 percent. Presumably, 77 percent of all corporations either gave nothing or chose not to report what they did give.

The data in the tax file do not permit a definitive analysis of those not reporting contributions. There were, however, 817,000 companies whose tax returns showed a net loss for tax purposes; for these firms the tax law does not permit any deduction for contributions. Despite this prohibition, some 19,000 companies, or 2.3 percent of all net loss companies, did report some giving on their tax returns. One can only speculate as to how many of the other loss companies actually made contributions and simply omitted that data on their tax returns as required by the tax law (see Appendix A).

There were 1.4 million corporations with net income in 1977, and 505,000, or 35.5 percent, reported some charitable giving. In fact, nearly all of the $1.8 billion of corporate contributions in 1977 is attributable to these 505,000 companies. However, the fact that 919,000 companies with net income did not *report* any contributions does not mean that none of them actually *made* any contributions. On the contrary, many companies that actually made contributions may not have reported them for any of several reasons.

The most important reason relates to the existence of corporate foundations. This issue is discussed in detail in Appendix A, but it is worth repeating here that the corporate tax file does not include the reports of corporate foundations. To the extent that all of any given company's contributions were disbursed by its own foundation, there were no "corporate" contributions to report for tax purposes.

It is highly unlikely that all of the 919,000 nongivers were companies with fully funded foundations or companies that failed to report their contributions for other reasons. Who were they, then, and why did they not make any contributions in 1977? The data from the corporate tax file do not provide a complete answer to this question, but they do give enough facts for one to form a partial answer. The outstanding characteristic of the nongivers is that they are, on the average, very tiny enterprises. The average net (taxable) income of the 919,000 companies that reported no contributions in 1977 was only $43,000, and their assets were less than one tenth the size of the assets of the companies that reported contributions.

Such enterprises are, therefore, not what one thinks of in talking about "the corporate community." Indeed, it is believed that these small corporations are essentially proprietorships and partnerships in disguise. They are likely to be closely held firms, the owners of which may choose, for whatever reasons, to give out of their personal funds rather than out of their corporate funds.

Among the large, mostly publicly held corporations, those with assets of $1 billion or more, the proportion reporting charitable gifts exceeded 90 percent. And those not reporting contributions are very likely to be either companies with funded foundations which act as channels for corporate giving or companies for which the charitable deduction does not enter into the calculation of their income taxes. Data in the files of the Council for Financial Aid to Education and The Conference Board indicate that there are very few, if any, large corporations that do not make charitable contributions.

Thus, it is grossly misleading to use the data that apply to all 2.2 million corporations as an indication of the charitable giving of "the corporate community" as it is commonly thought to be.* There are, in fact, several corporate communities, each with its own characteristics, especially with respect to charitable contributions. The data presented in this monograph will provide the interested reader with adequate basis for making an appraisal of the giving record of each segment of the corporate community and for making estimates of the potentials for expanding total corporate giving.

A Word about the Structure of this Monograph

The information originally requested of the Treasury Department consisted of a replication of the tabular data contained in the Vasquez study. Those tables, however, consisted largely of percentage distributions which did not permit an extensive analysis of the data. The numbers from which these percentages were calculated were also made available for this study, and they were used to expand the tabular presentations.

This monograph follows the Vasquez paper (Appendix C) in broad outline, which will make it possible to make direct comparisons between the 1970 data and the 1977 data. In several places, however, the tables have been expanded to include additional information. In addition to the inclusion of the raw data,

**The terms "publicly held" and "privately held" are functionally descriptive but do not lend themselves to the problem of identifying and counting corporations by type. As a proxy for the number of publicly held corporations, one may use the directory of companies required to file annual reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934. As of December 31, 1981 there were 8,916 companies that met this requirement. This number does not by any means include all publicly held corporations, since companies with less than $1 million in assets and fewer than 500 shareholders were exempt from filing. In 1982 the exemption was expanded to include firms with less than $3 million in assets and fewer than 500 shareholders. The 8,000-odd corporations still required to file comprise what is essentially the "corporate community" as it is thought of in popular usage. It is believed that there are only a few large, privately held corporations.*

several of the tables have changed the distributional categories to include more detail at the upper end of the distribution. This finer detail relates primarily to the very large corporations, so that it will be possible to compare the tax file data with that contained in the Annual Survey of Corporate Contributions for 1977.

A few of the tables were changed in other ways. Table 4, for example, includes some broad detail on the total picture for charitable giving in this country as well as the corporate part of it. Table 8 was subdivided in order to present more information, and the detail by industry was expanded to give a breakdown of the manufacturing sector. Table 9 was revised and subdivided both for readability and for the inclusion of new information. Tables 10 and 11 were also expanded significantly in order to display more information that is pertinent to the subject.

Of special importance is the addition of Tables 5a and 7a. The information previously available about companies giving less than $500 was distorted by the rounding process used in tabulating the sample of tax returns. Unrounded data were made available for Subchapter S corporations, and these numbers are shown separately.

When the analytical work was largely complete, it became apparent that the monograph would be incomplete without some discussion on two important subjects. The tax file is clearly defective as an authoritative measure of corporate contributions; the reasons are detailed in Appendix A. And, the measurement of corporate giving as a percentage of corporate profits is a subject that is fraught with misunderstanding; terms like "pretax net income" and "taxable income" and other concepts are often confused, and there are other measures which for some purposes are preferable. All this is discussed in Appendix B.

Research on the subject of corporate contributions is clearly in its infancy. There are notable gaps in the data presented herein; in particular there is no tabulation of contributions by corporations arranged by size of net income. This omission and many of the questions raised by the analyses in this monograph will be dealt with in future research. Suggestions for additional efforts in this area will be welcomed.

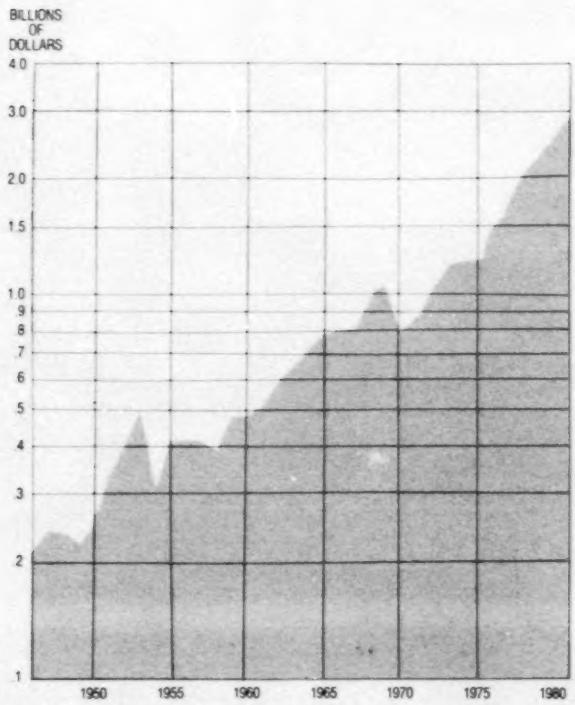
Acknowledgements

While the author must assume full responsibility for accuracy and completeness of the information presented in this monograph, he must also give credit where credit is due to those whose assistance, advice, and criticism contributed so much to the quality of this effort. In addition to those at the Treasury Department who were so generous with their time while the Congress was engaged in tax legislation, the list includes Gabriel Rudney, formerly of the Treasury Department and now with the Program on Nonprofit Organizations at Yale University, Anne Klepper of The Conference Board, Russy Sumariwalla of the United Way of America, and Kenneth Dayton of the Dayton-Hudson Corporation, and the entire Board of Directors and the staff of the Council for Financial Aid to Education. Special thanks are due to Eugene Wilson, Executive Director of the Atlantic Richfield Foundation, for his unabashed encouragement and to the Foundation itself for financial support.

Information on the level of corporate charitable contributions prior to 1936 is quite fragmentary. Although it is known that many corporations provided support to charitable organizations as early as the 1890s and that significant amounts were contributed to selected charities during World War I, there were no authoritative tabulations of total corporate giving until 1936. An amendment to the Internal Revenue Code in 1935 provided an explicit allowance for the deduction of corporate contributions and gifts in determining taxable income; as a by-product of this provision, the Internal Revenue Service's tabulations of corporate income tax returns for 1936 included, for the first time, figures on the total amounts of charitable giving reported by business corporations. These data are shown on **Chart 1** and in **Table 1**, together with information about corporate profits before taxes.

The IRS tabulations of corporate contributions are widely accepted as measures of corporate giving, and they are indeed the most comprehensive figures available on this subject. However, although appropriate for tax administration, these data are defective as measures of corporate giving, and six of the known defects are discussed in Appendix A. The most significant of these is the absence of any adjustments relating to the operations of corporate-sponsored foundations; the IRS figures include amounts given *to* these foundations but exclude amounts given *by* them to charitable recipients. The practical consequence of this is that the IRS tabulations sometimes understate and sometimes overstate the consolidated total of contributions made by corporations and their foundations. Despite this and the other known defects, an analysis of the IRS data provides interesting and useful insights into the levels of corporate giving both in dollars and in relation to corporate size.

CHART 1
CORPORATE CONTRIBUTIONS



"The Percentage" and Its Problems

Relating contributions to corporate size presents several problems of both a conceptual and practical nature, all of which are discussed in detail in Appendix B. The most widely used measure is corporate contributions as a percentage of net income before taxes. This figure is available for many individual companies, and is published for various groupings of the companies that participate in the annual Survey of Corporate Contributions sponsored jointly by The Conference Board and the Council for Financial Aid to Education. However, this percentage reflects the conventional measure of pretax income determined according to generally accepted accounting principles (GAAP) and published by publicly held corporations in the financial statements included in their annual reports to stockholders. Unfortunately, this measure of pretax income is not published by the private, closely held corporations that make up the vast bulk of the corporate community.

For the corporate community as a whole, therefore, the overall total of pretax income calculated on a GAAP basis is not available. The closest surrogate measure of this total is the annual estimate of corporate profits before income taxes prepared by the U.S. Department of Commerce as a component of the national income and product accounts (NIPA). These estimates are shown in Table 1 together with the percentages of contributions to profits before taxes (NIPA).

Also shown in Table 1 are figures taken from the tabulations of corporate income tax returns that measure the difference between total receipts and total deductions, as defined by the Internal Revenue Code. These figures are closely related to the "net income" figures used by Thomas Vasquez in his earlier study and used elsewhere in this paper. The display of this alternate measure of pretax income and the related contributions percentages highlights the differences that result from using NIPA data and data based on income tax returns. For the interested reader, Appendix B includes a description of the technical differences between these two measures of corporate income before taxes.

Table 1. Corporate Charitable Contributions, in Dollar Amounts and as Percentages of Corporate Income Before Taxes, 1936-1981

Year	Contributions[a] ($ millions)	Corporate Profits Before Taxes[b] ($ billions)	Contributions as a Percentage of Corporate Profits Before Taxes	Total Receipts less Total Deductions[a]	Contributions as a Percentage of Total Receipts Less Total Deductions
1936	$ 30	$ 6.3	0.48	$ 7.8	0.38
1937	33	6.9	0.48	7.8	0.42
1938	27	4.0	0.68	4.1	0.66
1939	31	7.2	0.43	7.2	0.43
1940	38	10.0	0.38	9.3	0.41
1941	58	17.9	0.32	16.7	0.35
1942	98	21.7	0.45	23.4	0.42
1943	159	25.3	0.63	28.1	0.57
1944	234	24.2	0.97	26.5	0.88
1945	266	19.8	1.34	21.3	1.25
1946	214	24.8	0.86	25.4	0.84
1947	241	31.8	0.76	31.6	0.76
1948	239	35.6	0.67	34.6	0.69
1949	223	29.2	0.76	28.4	0.79
1950	252	42.9	0.59	42.8	0.59
1951	343	44.4	0.77	43.8	0.78
1952	399	39.6	1.01	38.7	1.03
1953	495	41.2	1.20	39.8	1.24
1954	314	38.7	0.81	36.7	0.86
1955	415	49.2	0.84	47.9	0.87
1956	418	49.6	0.84	47.4	0.88
1957	417	48.1	0.87	45.1	0.92
1958	395	41.9	0.94	39.2	1.01
1959	482	52.6	0.92	47.7	1.01
1960	482	49.8	0.97	44.4	1.09
1961	512	49.7	1.03	47.0	1.09
1962	595	55.0	1.08	50.8	1.17
1963	657	59.6	1.10	55.7	1.18
1964	729	66.5	1.10	63.1	1.16
1965	785	77.2	1.02	74.7	1.05
1966	805	83.0	0.97	81.3	0.99
1967	830	79.7	1.04	79.3	1.04
1968	1,005	88.5	1.14	87.5	1.14
1969	1,055	86.7	1.22	82.1	1.29
1970	797	75.4	1.06	68.0	1.17
1971	865	86.6	1.00	81.9	1.06
1972	1,009	100.6	1.00	99.4	1.02
1973	1,174	125.6	0.93	122.6	0.96
1974	1,200	136.7	0.88	148.2	0.81
1975	1,202	132.1	0.91	146.0	0.82
1976	1,487	166.3	0.89	186.4	0.80
1977	1,791	194.7	0.92	219.6	0.82
1978	2,084	229.1	0.91	247.4	0.84
1979	2,288	252.7	0.91	283.0	0.81
1980	2,600[e]	242.4	1.07		
1981	2,900[e]	232.1	1.25		

a U.S. Department of the Treasury, Internal Revenue Service
b U.S. Department of Commerce
e estimate; Council for Financial Aid to Education

Similarities in Growth Patterns

The important fact that emerges from Table 1 is that the development of corporate giving in relation to pretax income shows much the same pattern for both measures despite the absolute differences in the percentages. This is shown graphically on **Chart 2.** Prior to 1955 there is virtually no difference between the two measures. During 1955-1973, the IRS percentages exceed the NIPA percentages, often by appreciable amounts. Since 1973, however, the reverse holds true. This reflects the differences inherent in the two measures of pretax profits, which are discussed in Appendix B.

Contributions amounted to about 0.45 percent of net income* until World War II when the figure jumped temporarily to the range of 1.0 percent. It averaged about 0.71 percent during the period before the Korean War, then rose to about 1.0 percent for two years. After 1954 there was a slow rise from about 0.8 percent to levels between 1.0 percent and 1.3 percent in the years from 1960 to 1972. After 1972 it fluctuated in a narrow range just below 1.0 percent, at least through 1979. As a generality, it would be fair to say that corporate giving has averaged about 1.0 percent of net income throughout the period since the mid-fifties. Much of the fluctuation around this average has been due more to fluctuations in net income than to fluctuation in contributions.

The 1981 estimate of $2.9 billion implies that corporate contributions are now roughly 100 times what they were in 1936, which reflects an average annual increase of 10.8 percent. This exceeds the rate of growth of corporate profits, which was 8.4 percent per year, and the rate of growth of the gross national product, which was 8.2 percent per year. Most of these disparities in growth occurred prior to the mid-fifties; in the past 25 years or so, the rates of growth have been much closer to one another. The close adherence to levels of giving at about 1.0 percent of net income since the mid-fifties confirms the view that net income is the one single most important determinant of the level of contributions for the corporate community.

Corporate Sector Not Monolithic

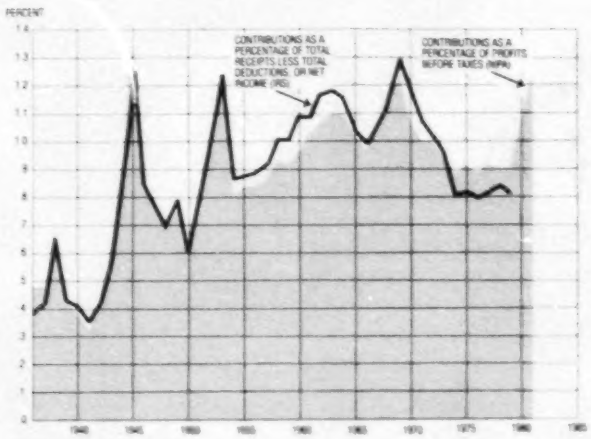
The corporate sector in the United States is made up of a very large number of independent enterprises, most of which are very small and contribute relatively little to economic activity. Just as a small number of giant firms dominate production, employment, and other measures of business activity, so also do they dominate charitable giving.

As indicated in **Table 2,** the largest corporations in terms of assets have played a steadily increasing role in charitable giving. Companies with $100 million or

**For convenience, the term "net income" here means "pretax net income" as measured either by profits before taxes (NIPA) or by total receipts less total deductions (IRS). In later sections of this paper, the term refers to a more specific concept employed in the IRS tabulations.*

more of assets constitute a very tiny but rising percentage of the growing number of corporations, but their share of total corporate assets has risen from 48 percent in 1940 to nearly 74 percent in 1977. The proportion of all corporate contributions reported by these large firms, however, more than tripled during this period, rising from 20.5 percent in 1940 to nearly 62 percent in 1977.

CHART 2
CORPORATE CONTRIBUTIONS AS PERCENTAGES OF TWO MEASURES OF PRETAX NET INCOME


PERCENT
CONTRIBUTIONS AS A PERCENTAGE OF TOTAL RECEIPTS LESS TOTAL DEDUCTIONS, OR NET INCOME (IRS)
CONTRIBUTIONS AS A PERCENTAGE OF PROFITS BEFORE TAXES (NIPA)

The increase in the relative importance of the largest companies with respect to contributions is in large degree a result of the rise in their levels of giving as a percentage of their net income. This figure stood at 0.70 percent in 1977 as compared to 0.21 percent in 1940. It was, however, higher in both 1960 and in 1970 than it was in 1977. In view of the dominance of the largest corporations in total contributions, it is not surprising that the percentage of total contributions to the total net income of all corporations follows the same pattern.

The growth of total corporate giving as a percentage of total net income between 1940 and 1977 is, however, not solely due to the largest companies. All the asset size groups show an increase in this percentage over the 37-year period, and almost all of them show lower percentages in 1977 than in 1960 and 1970.

The decreases in giving as a percentage of net income (IRS) between 1970 and 1977 are of special interest. As indicated in both Table 1 and Table 2, there was a drop from 1.17 percent in 1970 to 0.82 percent in 1977. A similar but much less severe decline is indicated by the measurement using NIPA data on corporate profits, from 1.06 percent in 1970 to 0.92 percent in 1977. The relatively large decline in the IRS percentage reflects a very marked change in the relationship between the two measures of net income; prior to 1974, the IRS data were generally lower than the NIPA figures, but in the

Table 2. Percentage Distribution of Corporations, Assets, and Contributions, and Contributions as a Percentage of Net Income,[a] by Asset Size Class, Selected Years, 1940-1977

Size of Assets (thousands)	Percentage of Corporations	Percentage of Total Assets	Percentage of Total Contributions	Contributions as Percentage of Net Income
1940				
Total	100.0	100.0	100.0	.41
Less than $100	69.1	2.6	6.5	1.60
$100-250	14.3	2.9	5.9	.81
$250-500	6.7	3.1	5.8	.63
$500-1,000	4.2	3.8	7.0	.62
$1,000-5,000	4.3	11.5	19.5	.52
$5,000-10,000	.6	5.7	9.2	.50
$10,000-50,000	.5	14.5	18.2	.37
$50,000-100,000	.1	8.0	7.4	.30
$100,000 and over	.1	48.0	26.5	.21
1950				
Total	100.0	100.0	100.0	.59
Less than $100	59.4	2.1	3.3	1.64
$100-250	19.6	3.0	5.9	1.08
$250-500	8.7	2.9	7.0	1.09
$500-1,000	5.1	3.4	8.6	1.07
$1,000-5,000	5.4	10.9	22.3	1.00
$5,000-10,000	.9	5.8	8.6	.81
$10,000-50,000	.7	14.2	17.2	.62
$50,000-100,000	.1	6.9	4.8	.38
$100,000 and over	.1	50.8	22.4	.30
1960				
Total	100.0	100.0	100.0	1.11
Less than $100	61.1	1.9	2.4	1.18
$100-250	19.8	3.0	3.7	1.25
$250-500	9.3	3.1	4.7	1.46
$500-1,000	4.8	3.2	5.5	1.62
$1,000-5,000	4.3	8.6	14.7	1.57
$5,000-10,000	.7	4.9	6.8	1.45
$10,000-50,000	.7	13.5	15.4	1.20
$50,000-100,000	.1	6.4	7.8	1.10
$100,000 and over	.2	55.4	38.8	.72
1970				
Total	100.0	100.0	100.0	1.17
Less than $100	57.7	1.2	1.9	2.53
$100-250	20.2	2.0	2.8	1.07
$250-500	10.2	2.3	3.9	1.33
$500-1,000	5.6	2.5	4.8	1.67
$1,000-5,000	4.5	5.7	11.3	1.75
$5,000-10,000	.8	3.4	5.1	1.77
$10,000-50,000	.8	10.9	11.2	1.45
$50,000-100,000	.1	5.5	4.5	1.21
$100,000 and over	.2	56.5	54.5	.98
1977				
Total	100.0	100.0	100.0	.82
Less than $100	56.9	.8	1.8	1.74
$100-250	18.7	1.3	1.9	.74
$250-500	10.4	1.5		
$500-1,000	6.4	1.9	3.3	.96
$1,000-5,000	5.6	4.7	10.5	1.19
$5,000-10,000	.8	2.3	4.4	1.16
$10,000-50,000	.9	8.6	10.0	1.07
$50,000-100,000	.2	5.1	4.2	.95
$100,000 and over	.2	73.9	61.9	.70

[a]IRS definition. See footnote (a), Table 5.
Source: U.S. Department of the Treasury, Office of Tax Analysis.

Table 3. Contributions as a Percentage of Net Income[a] and the Percentage Distribution of Contributions by Major Industry, Selected Years, 1940-1970

Industry	1940		1950		1960		1970		1977	
	Contributions as a Percentage of Net Income	Percent Total Contributions	Contributions as a Percentage of Net Income	Percent Total Contributions	Contributions as a Percentage of Net Income	Percent Total Contributions	Contributions as a Percentage of Net Income	Percent Total Contributions	Contributions as a Percentage of Net Income	Percent Total Contributions
Total	.41	100.0	.59	100.0	1.11	100.0	1.17	100.0	.82	100.0
Agriculture	.50	.2	.32	.4	3.92	.3	3.88	.3	1.64	.6
Mining	.28	1.5	.31	1.3	.74	1.1	.40	.9	.07	1.2
Contract construction	.58	1.0	.99	2.2	2.93	2.3	1.62	3.1	1.11	2.7
Manufacturing	.35	48.6	.55	52.1	1.21	56.1	1.29	49.5	.98	50.9
Transportation	.18	1.6	.21	1.7	1.22	2.1	*	1.9	.97	2.2
Communication	.32	2.3	.36	1.1	.43	2.5	.58	3.0	.98	3.4
Electric, gas and sanitary services	.31	5.8	.47	2.8	.55	3.3	.92	4.0	.69	3.1
Wholesale trade	.64	7.4	.97	10.7	1.54	6.8	1.23	6.8	.80	7.2
Retail trade	.95	13.3	1.11	13.8	1.69	7.7	1.43	9.3	1.16	8.9
Finance, insurance, real estate	.26	9.5	.41	9.6	.74	14.2	.87	17.2	.79	15.4
Services	1.30	3.7	1.31	3.0	1.67	3.0	2.52	3.8	1.23	4.3

* Negative net income

a IRS definition. See footnote (a), Table 5.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

Table 4. Total Charitable Contributions, by Source, and Corporate Contributions as a Percentage of Total Contributions, Selected Years, 1956-1981 (billions of dollars)

Year	Individual Contributions			Bequests	Foundations	Corporations	Total Contributions	Percentage of Total Contributions Made by Corporations
	Itemizers	Nonitemizers	Total	(In billions of dollars)				
1956	$ 4.88	$ 1.20	$ 6.08	$ .24	$ .31	$ .42	$ 7.05	6.0
1958	5.69	1.10	6.79	.45	.51	.40	8.15	4.9
1960	6.75	.88	7.63	.57	.71	.48	9.39	5.1
1962	7.52	.98	8.50	.70	.70	.60	10.50	5.7
1964	8.33	1.22	9.55	.95	.83	.73	12.06	6.1
1966	9.12	2.22	11.34	1.31	1.25	.81	14.71	5.5
1968	11.14	2.22	13.36	1.60	1.60	1.01	17.57	5.7
1970	12.89	3.03	15.92	2.13	1.90	.80	20.75	3.9
1972	13.22	4.97	18.19	2.10	2.00	1.01	23.30	4.3
1973	13.90	6.53	20.43	2.00	2.00	1.17	25.60	4.6
1974	14.96	7.37	22.33	2.07	2.11	1.20	27.71	4.3
1975	15.43	8.81	24.24	2.23	2.01	1.20	29.68	4.0
1976	16.71	9.86	26.57	2.36	2.13	1.49	32.55	4.6
1977	17.27	11.95	29.22	2.99	2.01	1.79	36.01	5.0
1978	19.68	12.94	32.62	2.60	2.16	2.08	39.46	5.3
1979	22.13	14.26	36.39	2.23	2.24	2.29r	43.15r	5.3
1980			39.93	2.86	2.40	2.60r	47.79r	5.4
1981			44.50	3.50	2.60	2.90r	53.50r	5.4

Source: *Giving USA*, New York, American Association of Fund-Raising Counsel, Inc., various dates.

r = revised

years after 1973 the reverse was true. The cause of this, which is discussed in detail in Appendix B, lies in the definitions of the two concepts and involves a change in the relative importance of corporate income earned abroad.

The Results of Using Lagged Data

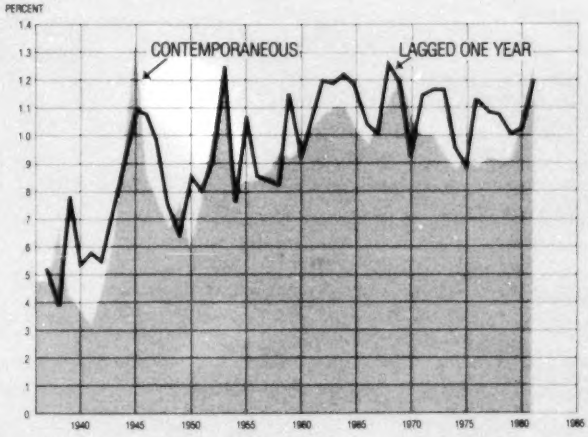
There is also a problem that arises from the use of contemporaneous data for contributions and net income. If contributions are related not to income in the same year but to income in the prior year, a very different picture emerges. Using the IRS data on net income lagged one year, the contributions percentage was 0.97 percent in 1970 and 0.96 percent in 1977; using the NIPA figures on net income, the contributions percentage *increased* from 0.92 percent in 1970 to 1.08 percent in 1977.

There is a reasonable basis for the use of lagged income figures in the calculation of contributions percentages. Corporate contributions are increasingly being budgeted prior to the beginning of a fiscal year, at a time when the level of net income for the contributions year can only be estimated from forecasts of sales and other variables. Such forecasts are largely determined by the trends in business at the time they are made with adjustments to take account of expected developments in the near-term future. At best, the only income data known at the time the budgets are drawn up and approved are those applicable to the year prior to the year in which contributions are to be disbursed. In virtually every case, actual profits in the contributions year will be either higher or lower than forecast, and even though all companies monitor closely the development of profits on a GAAP basis as the year progresses (usually each quarter), the final figure is not known until perhaps 60 days after the close of the fiscal year when the annual audit is completed. There is, consequently, a tendency for contributions to be determined relative to profits on a lagged basis. An increase (or decrease) in corporate income tends to be followed a year later by an increase (or decrease) in contributions. Indeed, this is reflected in the data for three-fourths of the years since the mid-fifties, as shown on **Chart 3.**

Industry Patterns

Table 3 shows the historical development of contributions in terms of major industries. The percentage distribution of total contributions among the industry groups shows very little change in 1977 as compared to 1970; changes of more than a full percentage point took place only for manufacturing, which rose from 49.5 percent to 50.9 percent, and finance, insurance, and real estate, which fell from 17.2 percent to 15.4 percent.

CHART 3
CORPORATE CONTRIBUTIONS AS A PERCENTAGE OF PRETAX NET INCOME (NIPA)



Contributions as a percentage of net income (IRS) showed decreases for all industries except communication which recorded a substantial increase. Most other industries showed decreases that were roughly proportional to the decrease for the total corporate community; for agriculture, mining, and services, however, the 1977 percentages were less than half of what they were in 1970.

Corporate Giving in Perspective

The development of corporate contributions should be viewed not merely in absolute terms but also in relation to the growth of total philanthropy. The relevant data are shown in **Table 4.** As can be seen, corporate contributions have averaged about 5 percent of total philanthropic giving throughout the past 25 years. Prior to 1970, however, it averaged a little higher than in the years after 1970. And since 1970, when it dropped sharply, it has been in a rising trend of modest proportions. For the entire 25-year period, therefore, the growth of corporate contributions has been roughly parallel to the growth of other sources of charitable giving.

II. Cross-Sectional View of Corporate Contributions, 1977

While the data presented in the first section of this paper reflect an accurate history of giving by the corporate community, they do not indicate the characteristics of contributions practices within the population of corporations. As previously mentioned, the corporate community is not monolithic; in 1977, more than 2.2 million corporations filed income tax returns, and the amounts reported as contributions differed widely. In this section of the paper, information about corporate contributions will be shown in terms of the distribution of companies (1) by size of contributions, (2) by contributions as a percentage of net income, (3) by industry, and (4) by size of company as measured by total assets. *Wherever the term "net income" is used, it refers not to pretax net income as reported in corporate financial statements but to the net income concept defined by the Internal Revenue Service in its tabulations.*

Profile 1977 vs. Profile 1970

Of the 2.2 million corporations in the 1977 tax file, 525,122 reported some amount of charitable contributions; this group made up 23.4 percent of the corporate universe. By comparison, about 1.7 million corporations filed tax returns in 1970 and just under 20 percent of them reported contributions. In both years, most of those reporting contributions reported amounts under $500; in 1977, somewhat over 168,000 companies, or 7.5 percent of the total, reported contributions over $500; this compares with only 6 percent in 1970.*

As an indication of the incidence of corporate giving, these figures tend to be very misleading because virtually all the companies not reporting contributions were either corporations that reported a net loss or corporations of very small size. For the largest companies, the proportions reporting contributions were much higher. Among all corporations reporting net income in 1977, there were 7,484 with $50 million or more in assets, and 6,351, or 85 percent, of them reported contributions; there were 626 companies with $1 billion or more in assets, and 573, or 92 percent, of them reported contributions. Among these largest corporations, those

**The precision of these numbers is open to some question because of the rounding procedure employed in tabulating the tax returns. See footnote (b), Table 5.*

Table 5. Number and Percentage Distribution of Corporations Filing Federal Income Tax Returns, Amount and Percentage Distribution of Contributions, by Size of Contributions, 1977

Size of Contributions	Contributions		All Corporations		Corporations with Net Income[a]		Corporations with Net Loss[a]	
	Amount (thousands)	Percent	Number	Percent	Number	Percent	Number	Percent
Zero[b]	$ 0	.00	1,716,820	76.58	918,881	64.50	797,939	97.62
Less than $500[b]	8,946	.50	356,769	15.91	339,563	23.84	17,206	2.11
$500-1,000[b]	5,754	.32	8,805	.39	8,603	.60	202	.02
$1,000-5,000	206,229	11.51	131,824	5.88	130,252	9.14	1,572	.19
$5,000-10,000	85,896	4.80	13,322	.59	13,161	.92	161	.02
$10,000-25,000	122,515	6.84	8,393	.37	8,162	.57	231	.03
$25,000-50,000	91,185	5.09	2,679	.12	2,651	.19	28	*
$50,000-100,000	106,014	5.92	1,577	.07	1,571	.11	6	*
$100,000-150,000	63,367	3.54	520	.02	515	.04	5	*
$150,000-200,000	50,004	2.79	292	.01	275	.02	17	*
$200,000-250,000	31,621	1.77	144	.01	144	.01	0	*
$250,000-500,000	127,003	7.09	359	.02	351	.02	8	*
$500,000-1,000,000	161,727	9.03	230	.01	229	.02	1	*
$1,000,000 & over	730,983	40.81	208	.01	205	.01	3	*
Totals	$1,791,244	100.00	2,241,942	100.00	1,424,563	100.00	817,379	100.00

* Less than .01%

a Net income (or net loss) is defined as the difference between gross taxable receipts and the business deduction allowed by the tax code, and is approximately equal to "taxable income." Depending on circumstances, such figures may be either larger or smaller than "pretax net income" as defined by generally accepted accounting principles.

b Most of the entries in the corporate file used to generate this table are rounded to thousands of dollars. There are, however, some important exceptions that result from the fact that there are included in the file the tax returns of 428,204 Subchapter S corporations (small business corporations that elect to be taxed as partnerships). For these returns, the entries are not rounded; the contributions amounts under $1,000, therefore, pertain only to Subchapter S corporations. See Table 5a for separate tabulation of Subchapter S returns.

For all tax returns other than those of Subchapter S corporations, entries of less than $500 were rounded to zero and those between $500 and $1,000 were rounded to $1,000. An indicator was used to differentiate zero entries from those rounded to zero; while a count of corporations with rounded entries can be made, the amount of their contributions cannot be determined.

Details may not add to totals because of rounding.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

not reporting contributions include those with fully funded foundations and those for whom contributions do not enter into the calculation of tax liability (see Appendix A).

Corporations Ranked by Size of Contributions

Table 5 shows the distribution of all corporations by size of contributions reported in 1977. Of particular interest is the fact that nearly 41 percent of all contributions was reported by the 208 companies that reported contributions of $1 million or more; on the average, these companies reported $3.5 million in contributions. Nearly 59 percent of all contributions was reported by the 941 companies that reported $200,000 or more; in 1970, companies that reported contributions at this level accounted for just under 50 percent of the total. And three-fourths of all contributions in 1977 were accounted for by the 6,009 companies, or 0.27 percent of the corporate universe, that reported $25,000 or more; in 1970, this fraction of total contributions was accounted for by corporations reporting $10,000 or more. From these figures, it is clear that a relatively small number of large corporate givers account for the bulk of corporate contributions, and that the degree of concentration increased between 1970 and 1977.

Table 5 also shows a breakdown between companies with net income and those with a net loss. Among the 1.4 million corporations that reported net income in 1977, some 506,000, or 35.5 percent of the total, reported contributions; this compares with 32.1 percent in 1970. In 1977, more than 166,000 of these firms, or 11.7 percent of the total, reported contributions of $500 or more; the corresponding figure in 1970 was 10.2 percent. Again, these figures tend to be misleading as absolute measures of corporate contributions; as will be shown later, virtually all the companies with net income not reporting contributions are very small enterprises.

Subchapter S Corporations

About one-fifth of all corporations that filed tax returns in 1977 elected Subchapter S status. This is a provision of the Internal Revenue Code under which small business corporations may choose to be taxed as partnerships. **Table 5a** shows the separate distribution of Subchapter S corporations by size of reported contributions. That these companies are small enterprises is revealed by the fact that fewer than 100, or 0.04 percent, of them reported as much as $25,000 in contributions, and they accounted for less than 15 percent of the contributions total for all Subchapter S corporations. Moreover, about 63 percent of the contributions total was accounted for by those who reported less than $5,000, and nearly 21 percent by those who reported less than $500. A comparison of Tables 5 and 5a shows clearly that the contributions totals for those reporting less than $1,000 are essentially those of Subchapter S corporations only. The actual contributions of other companies who reported less than $1,000 were lost in the rounding procedure used in the tabulation process.

Companies Reporting a Net Loss

There were 19,440 companies with a net loss in 1977 that reported some charitable contributions; this represents 2.4 percent of all companies reporting a net loss. In 1970, 2.2 percent of all companies with a net loss reported contributions. In all these cases, the contributions deduction will have been disallowed in the audit process because the Internal Revenue Code imposed a

Table 5a. Number and Percentage Distribution of Subchapter S Corporations Filing Federal Income Tax Returns, Amount and Percentage Distribution of Contributions, by Size of Contributions, 1977

Size of Contributions	Contributions Amount (thousands)	Contributions Percent	All Corporations Number	All Corporations Percent	Corporations with Net Income[a] Number[d]	Corporations with Net Income[a] Percent	Corporations with Net Loss[a] Number[d]	Corporations with Net Loss[a] Percent
Zero[b]	$ 0	.00	346,086	80.82	173,700	68.99	172,300	97.70
Less than $500[b]	8,912	20.69	65,397	15.27	61,600	24.47	3,800	2.16
$500-1,000[b]	5,744	13.34	8,787	2.05	8,600	3.41	190	.11
$1,000-5,000	12,659	29.39	6,863	1.60	6,800	2.71	35	.02
$5,000-10,000	4,155	9.65	617	.14	600	.25		
$10,000-25,000	5,156	11.97	356	.08	400	.14	75[c]	
$25,000 & over	6,445	14.96	98	.04	100	.03		
Totals	$43,071	100.00	428,204	100.00	251,800	100.00	176,400	100.00

a See footnote (a), Table 5.

b See footnote (b), Table 5.

c No further detail available because of the small number of companies. IRS regulations prohibit the disclosure of tax data for less than three (3) returns in any given category.

d The numbers shown are approximate, based on the percentage distributions furnished.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

limit of 5 percent of taxable income for this deduction in both 1970 and 1977.* The Code also does not permit the use of contributions deductions where they will increase the net operating loss for carryover purposes.

As suggested in Appendix A, these limitations in the Internal Revenue Code undoubtedly induced many of the net loss companies who actually made contributions not to report them. The amounts they contributed, like all amounts in excess of 5 percent of taxable income, are subject to the five-year carryover provision and would in all probability have been reported in years subsequent to 1977 if the losses were eliminated. This implies that an unknown amount of contributions was made in 1977 and not reported in that year; however, the 1977 total included amounts of contributions made in and carried over from years prior to 1977. It is not known whether this carryover phenomenon resulted in a net understatement or a net overstatement of contributions actually made in 1977.

Contributions vs. Net (Taxable) Income

Table 6 shows the number and percentage distribution of all companies reporting contributions, including those with a net loss, by the same size class of contributions used in Table 5. Included is the net income** figure, total contributions, and contributions as a percentage of net income for each contributions size class. The largest contributions size classes are of special interest. The 208 companies that reported $1 million or more in contributions accounted for 31.3 percent of total net income and 40.8 percent of total contributions; the average contribution amount for this group was more than $3.5 million, and for the group as a whole contributions amounted to 1.14 percent of net income. There were 1,753 firms that reported contributions of $100,000 or more, and they accounted for 67.5 percent of total net income and 65.0 percent of total contributions; the average contribution amount was $664,000, and the group's contributions were 0.84 percent of its net income. The average contribution for all companies reporting contributions was $3,400 and amounted to 0.87 percent of net income.*

These data indicate that the companies reporting the largest levels of giving also account for the largest share of corporate profits. As a group, these large firms give at slightly lower levels relative to net income than do the smaller companies.

Contributions Percentages

Table 7 shows the distribution of corporations with net income by contributions as a percentage of net income, and provides figures on both total and average

The Economic Recovery Tax Act of 1981 increased this limit to 10 percent of taxable income for tax years beginning after December 31, 1981.

**Since the net loss companies who reported contributions are included, the net income figures are lower than the amounts reported by companies with net income. It should also be noted that the net income figures are lower than the amount shown in Table 1 as "total receipts less total deductions;" the difference reflects certain adjustments relating to includable foreign income and the foreign dividend "gross-up."*

**This figure differs from that shown for 1977 in Table 1 because of the use of "net income" rather than "total receipts less total deductions."*

Table 6. Number and Percentage Distribution of Corporations Reporting Contributions, their Net Income[a], Contributions as a Percentage of Net Income, and Average Contribution, by Size of Contributions, 1977

Size of Contributions	Corporations Reporting Contributions		Net Income[a]		Contributions		
	Number	Percent	Amount (millions)	Percent	Amount (thousands)	as a Percentage of Net Income	Average Contribution
$0-500[b]	356,769	67.94	$ 11,431	5.57	$		$
$500-1,000[b]	8,805	1.68	499	.24			
$1,000-5,000	131,824	25.10	19,771	9.63	206,229	1.04	1,564
$5,000-10,000	13,322	2.54	8,103	3.94	85,896	1.06	6,448
$10,000-25,000	8,393	1.60	9,643	4.70	122,515	1.27	14,597
$25,000-50,000	2,679	.51	8,067	3.93	91,185	1.13	34,037
$50,000-100,000	1,577	.30	9,175	4.47	106,014	1.16	67,225
$100,000-150,000	520	.10	7,037	3.43	63,367	.90	121,860
$150,000-200,000	292	.06	4,506	2.20	50,004	1.11	171,247
$200,000-250,000	144	.03	3,533	1.72	31,621	.90	219,590
$250,000-500,000	359	.07	40,114	19.54	127,003	.32	353,769
$500,000-1,000,000	230	.04	19,059	9.29	161,727	.85	703,161
$1,000,000 & over	208	.04	64,275	31.32	730,983	1.14	3,514,341
Totals	525,122	100.00	$205,213	100.00	$1,791,244	.87	$ 3,411

a IRS definition. See footnote (a), Table 5.

b See footnote (b), Table 5. Due to the rounding procedure used, the figures for both total contributions and average contributions are omitted as invalid.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

Table 7. Number and Percentage Distribution of Corporations, Amount and Percentage Distribution of Contributions, Amount and Percentage Distribution of Net Income[a], Average Contribution, and Average Net Income, for Corporations with Net Income, by Contributions as a Percentage of Net Income, 1977

Contributions as a Percentage of Net Income	Corporations with Net Income		Contributions		Net Income		Average Contribution	Average Net Income
	Number	Percent	Amount (thousands)	Percent	Amount (millions)	Percent		
0.0	918,881	64.5	$ 0	.0	$ 39,440	16.1	$ 0	$ 42,922
0.0-0.2	287,202	20.2	30,275	1.7	67,377	27.5	105	234,597
0.2-0.4	15,364	1.1	81,839	4.6	28,259	11.5	5,327	1,839,300
0.4-0.6	14,637	1.0	109,880	6.2	22,719	9.3	7,507	1,552,162
0.6-0.8	11,383	.8	179,834	10.2	25,494	10.4	15,798	2,239,656
0.8-1.0	9,445	.7	149,218	8.5	16,450	6.7	15,799	1,741,662
1.0-1.2	7,642	.5	91,057	5.2	8,374	3.4	11,915	1,095,786
1.2-1.4	8,324	.6	57,499	3.3	4,481	1.8	6,908	538,322
1.4-1.6	7,771	.5	62,433	3.5	4,178	1.7	8,034	537,640
1.6-1.8	6,694	.5	48,916	2.8	2,891	1.2	7,307	431,879
1.8-2.0	7,563	.5	58,565	3.3	3,071	1.3	7,743	406,056
2.0-2.5	16,985	1.2	113,184	6.4	5,075	2.1	6,664	298,793
2.5-3.0	12,527	.9	105,987	6.0	3,851	1.6	8,461	307,416
3.0-4.0	21,162	1.5	111,365	6.3	3,193	1.3	5,262	150,884
4.0-5.0	20,265	1.4	128,813	7.3	2,852	1.2	6,356	140,735
5.0 & over	58,718	4.1	436,961	24.7	7,629	3.1	7,441	129,926
Totals	1,424,563	100.0	$1,765,826	100.0	$245,334	100.0	$ 1,240	$ 172,217

a IRS definition. See footnote (a), Table 5.

Details may not add to totals because of rounding.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

Table 7a. Number and Percentage Distribution of Subchapter S Corporations, Amount and Percentage Distribution of Contributions, Amount and Percentage Distribution of Net Income[a], Average Contribution, and Average Net Income, for Subchapter S Corporations with Net Income, by Contributions as a Percentage of Net Income, 1977

Contributions as a Percentage of Net Income	Corporations with Net Income		Contributions		Net Income		Average Contribution	Average Net Income
	Number	Percent	Amount (thousands)	Percent	Amount (millions)	Percent		
0.0	173,900	69.0	$ 0	.0	$3,674	48.7	$ 0	$21,130
0.0-0.2	13,600	5.4	1,060	2.5	1,290	17.1	78	94,850
0.2-0.4	8,300	3.3	1,910	4.5	634	8.4	230	76,400
0.4-0.6	7,600	3.0	1,910	4.5	385	5.1	250	50,700
0.6-0.8	4,800	1.9	1,780	4.2	264	3.5	370	55,000
0.8-1.0	3,300	1.3	1,700	4.0	189	2.5	515	57,300
1.0-1.2	2,300	.9	1,230	2.9	113	1.5	535	49,100
1.2-1.4	3,000	1.2	1,150	2.7	90	1.2	330	30,000
1.4-1.6	2,500	1.0	1,150	2.7	75	1.0	460	30,000
1.6-1.8	1,800	.7	1,190	2.8	68	.9	660	38,000
1.8-2.0	1,800	.7	1,320	3.1	68	.9	730	38,000
2.0-2.5	4,300	1.7	3,060	7.2	136	1.8	710	31,600
2.5-3.0	3,300	1.3	2,550	6.0	90	1.2	770	27,300
3.0-4.0	4,800	1.9	3,950	9.3	113	1.5	820	23,500
4.0-5.0	4,800	1.9	6,750	15.9	151	2.0	1,410	31,400
5.0 & over	12,100	4.8	11,680	27.5	204	2.7	965	16,900
Totals	252,000	100.0	$42,460	100.0	$7,544	100.0	$ 168	$29,900

a IRS definition. See footnote (a), Table 5.

The numbers shown are approximate, based on the percentage distributions furnished.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

contributions and total and average net income for each class. What is most surprising is that there were nearly 59,000 firms that reported contributions at 5 percent or more of net income; as a group they accounted for almost one-fourth of all corporate contributions. Although these companies comprised only 4.1 percent of all corporations with net income, they accounted for 11.6 percent of all companies reporting contributions. Their average contribution was $7,400, or 5.7 percent of their average net income which was $130,000. Clearly these high percentage givers were for the most part relatively small corporations.

An interesting contrast is provided by the 287,000 companies whose reported contributions amounted to less than 0.2 percent of net income; while they accounted for 20.2 percent of all companies with net income, they represented 56.8 percent of all companies reporting contributions. They reported 27.5 percent of total corporate net income but only 1.7 percent of total contributions. Their average contribution was only $105, or 0.04 percent of their average net income which was $235,000. Although these low percentage givers were relatively small companies, they were larger on the average than the 5 percent givers.

The largest average contributions were $15,800, reported by the two classes whose contributions amounted to between 0.6 percent and 1.0 percent of net income. Not surprisingly, the 21,000 companies in these

Table 8a. Percentage of Corporations with Net Income[a], Percentage of Total Contributions, and Average Contribution per Corporation, for Corporations Reporting Contributions equal to 3% or More of Net Income, by Industry, 1977

Industry	Number of Corporations with Net Income	Total Contributions, All Corporations (thousands)	Corporations Reporting Contributions equal to 3% or More of Net Income				
			Number	Percentage of Corporations with Net Income	Contributions (thousands)	Contributions Percentage of Total	Contributions Average
Agriculture	38,440	$ 11,345	1,886	4.9	$ 7,244	63.9	$ 3,841
Mining	10,964	21,335	501	4.6	6,645	31.1	13,263
Contract Construction	135,954	49,115	8,833	6.5	24,747	50.4	2,802
Manufacturing:	159,004	911,455	14,653	9.2	260,044	28.5	17,747
Food Products	11,042	75,480	1,047	9.5	25,329	33.6	24,192
Tobacco	31	12,192	7	22.6	35	.3	5,000
Textiles	4,257	23,326	837	19.7	8,924	38.3	10,662
Apparel	11,166	29,747	1,779	15.9	14,389	48.4	8,088
Lumber & Wood Products	9,763	15,466	959	9.8	3,465	22.4	3,613
Furniture & Fixtures	5,049	6,980	576	11.4	2,684	38.5	4,660
Pulp & Paper	2,812	38,352	366	13.0	21,633	56.4	59,107
Printing & Publishing	22,518	58,103	2,087	9.3	24,217	41.7	11,601
Chemicals	7,051	116,701	435	6.2	22,587	19.4	51,924
Petroleum Refining	929	90,857	45	4.8	12,464	13.7	276,978
Rubber & Plastics	6,063	13,118	397	6.5	2,956	22.5	7,446
Leather	1,482	6,077	303	20.4	3,037	50.0	10,023
Stone, Clay & Glass	6,467	23,274	503	7.8	12,218	52.5	24,290
Primary Metals	3,798	24,793	374	9.8	11,971	48.3	32,008
Fabricated Metal	23,777	62,962	1,907	8.0	33,758	53.6	17,702
Machinery	17,377	92,686	1,366	7.9	19,788	21.3	14,486
Electrical & Electronics	7,924	65,758	384	4.8	17,671	26.9	46,018
Motor Vehicles	1,794	98,733	161	9.0	8,256	8.4	51,280
Transportation Equipment	2,216	17,912	222	10.0	4,556	25.4	20,523
Instruments & Miscellaneous	13,488	38,938	898	6.7	10,106	26.0	11,254
Transportation	39,477	39,726	2,180	5.5	14,129	35.6	6,481
Communication	6,858	60,499	580	8.5	4,997	8.3	8,616
Electric, Gas & Sanitary Services	5,731	56,321	438	7.6	16,712	29.7	38,156
Wholesale Trade	169,707	129,262	14,520	8.6	73,594	56.9	5,068
Retail Trade	273,845	159,076	21,675	7.9	71,041	44.7	3,278
Finance, Insurance and Real Estate	270,556	275,917	15,107	5.6	149,839	54.3	9,919
Services	314,027	77,190	19,772	6.3	48,147	62.4	2,435
Totals	1,424,563	$1,791,244	100,145	7.0	$677,139	37.8	$6,762

a IRS Definition. See footnote (a), Table 5.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

two classes reported the largest average net incomes, just over $2 million.

Table 7a shows for Subchapter S corporations the same data as Table 7 shows for all corporations. By and large, the same patterns emerge for the Subchapter S corporations as for all companies. In particular, there is not a disproportionate number of Subchapter S companies in the 5 percent-and-over class.

Contributions, by Industry

Tables 8a and **8b** show the distributions by industry of the corporations with net income, together with the total contributions of all companies, including those reporting a net loss. Table 8a provides information about the corporations with net incomes reporting contributions of 3 percent or more of net income. Although they accounted for only 7 percent of all corporations with net income, their reported contributions amounted to 37.8 percent of total contributions, and their average contributions amounted to $6,762. The industry averages varied widely, from just over $2,400 for those in services to $277,000 for those in petroleum refining.

Table 8b provides a breakdown by industry of those companies with net incomes that reported contributions of 5 percent or more of net income. Slightly over 43,000 companies, or 73 percent of the total, were in four industries: wholesale trade, retail trade, finance, insurance and real estate, and services. The average

Table 8b. Percentage of Corporations with Net Income[a], Percentage of Total Contributions, and Average Contribution per Corporation, for Corporations Reporting Contributions equal to 5% or More of Net Income, by Industry, 1977

Industry	Number of Corporations with Net Income	Total Contributions, All Corporations (thousands)	Corporations Reporting Contributions equal to 5% or More of Net Income				
			Number	Percentage of Corporations with Net Income	Contributions (thousands)	Contributions Percentage of Total	Contributions Average
Agriculture	38,440	$ 11,345	1,009	2.6	$ 5,283	46.6	$ 5,236
Mining	10,964	21,335	228	2.1	2,654	12.4	11,640
Contract Construction	135,954	49,115	4,527	3.3	15,501	31.6	3,4[illegible]
Manufacturing:	159,004	911,455	7,948	5.0	163,760	17.9	20,604
Food Products	11,042	75,480	588	5.3	17,142	22.7	29,153
Tobacco	31	12,192	7	22.6	35	.3	5,000
Textiles	4,257	23,326	418	9.8	5,937	25.5	14,203
Apparel	11,166	29,747	700	6.3	7,204	24.2	10,291
Lumber & Wood Products	9,763	15,466	509	5.2	1,868	12.1	3,670
Furniture & Fixtures	5,049	6,980	363	7.2	1,349	19.3	3,716
Pulp & Paper	2,812	38,352	234	8.3	19,682	51.3	84,111
Printing & Publishing	22,518	58,103	1,264	5.6	14,141	24.3	11,188
Chemicals	7,051	116,701	230	3.3	13,853	11.9	60,230
Petroleum Refining	929	90,857	24	2.6	11,588	12.8	482,833
Rubber & Plastics	6,063	13,118	261	4.3	1,985	15.1	7,605
Leather	1,482	6,077	69	4.7	1,117	18.4	16,188
Stone, Clay & Glass	6,467	23,274	313	4.8	10,300	44.3	32,907
Primary Metals	3,798	24,793	270	7.1	9,539	38.5	35,330
Fabricated Metal	23,777	62,962	939	3.9	27,038	42.9	28,794
Machinery	17,377	92,686	749	4.3	6,808	7.3	9,089
Electrical & Electronics	7,924	65,758	177	2.2	5,084	7.7	28,723
Motor Vehicles	1,794	98,733	52	2.9	1,696	1.7	32,615
Transportation Equipment	2,216	17,912	116	5.2	824	4.6	7,103
Instruments & Miscellaneous	13,488	38,938	665	4.9	6,570	16.9	9,880
Transportation	39,477	39,726	1,344	3.4	6,311	15.9	4,696
Communication	6,858	60,499	409	6.0	3,518	5.8	8,601
Electric, Gas & Sanitary Services	5,731	56,321	242	4.2	13,063	23.2	53,979
Wholesale Trade	169,707	129,262	8,273	4.9	43,452	33.6	5,252
Retail Trade	273,845	159,076	12,194	4.5	44,434	27.9	3,644
Finance, Insurance and Real Estate	270,556	275,917	9,088	3.4	103,411	37.5	11,379
Services	314,027	77,190	13,456	4.3	35,574	46.1	2,644
Totals	1,424,563	$1,791,244	58,718	4.1	$436,961	24.4	$7,442

a IRS Definition. See footnote (a), Table 5.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

contribution amount for companies in these four industries was $5,200; however, the total contributions of those reporting 5 percent or more in these industries accounted for between 28 percent and 46 percent of the total contributions reported by all companies in these industries.

The manufacturing sector provides a contrast to most of the nonmanufacturing industries. Although manufacturers as a group account for slightly more than half of all corporate contributions, and although 5 percent of the companies in manufacturing industries reported contributions at 5 percent or more of net income, the total of such contributions was relatively small as a percentage of the total contributions reported by all manufacturers. In part this is explained by the fact that a disproportionate number of the largest corporations are engaged in manufacturing, and for the largest corporations, contributions tend to be relatively low as percentages of net income.

A Look at Companies with Net Income

Tables 9a and 9b, which should be read jointly, provide data that give some insight into the characteristics of companies with net income that reported contributions in 1977. While only 35.5 percent of all companies with net income reported contributions, these firms re-

Table 9a. Percentage Distribution of Corporations, Reported Charitable Contributions, and Average Contribution, for Corporations with Net Income, by Industry, 1977

Industry	Number of Corporations with Net Income	Percentage of Total	Corporations Reporting Contributions		Contributions		
			Number	Percentage of Industry	Amount (thousands)	Percentage of Total	Average
Agriculture	38,440	2.7	10,815	28.1	$ 11,138	.6	$ 1,030
Mining	10,964	.8	3,609	32.9	21,133	1.2	5,856
Contract Construction	135,954	9.5	46,814	34.4	48,600	2.8	1,038
Manufacturing:	159,004	11.2	75,920	47.7	911,920	51.5	12,012
Food Products	11,042	.8	5,791	52.4	74,444	4.2	12,855
Tobacco	31	.0	27	87.1	12,192	.7	451,556
Textiles	4,257	.3	2,509	58.9	23,326	1.3	9,297
Apparel	11,166	.8	4,825	43.2	29,747	1.7	6,165
Lumber & Wood Products	9,763	.7	4,745	48.6	15,446	.9	3,255
Furniture & Fixtures	5,049	.4	2,731	54.1	6,973	.4	2,553
Pulp & Paper	2,812	.2	1,639	58.3	38,352	2.2	23,400
Printing & Publishing	22,518	1.6	10,654	47.3	58,101	3.3	5,453
Chemicals	7,051	.5	3,413	48.4	115,950	6.6	33,973
Petroleum Refining	929	.1	401	43.2	90,856	5.1	226,574
Rubber & Plastics	6,063	.4	2,853	47.1	13,092	.7	4,589
Leather	1,482	.1	809	54.6	6,069	.3	7,502
Stone, Clay & Glass	6,467	.5	2,829	43.7	23,273	1.3	8,227
Primary Metals	3,798	.3	2,466	64.9	24,784	1.4	10,050
Fabricated Metal	23,777	1.7	11,610	48.8	62,813	3.6	5,410
Machinery	17,377	1.2	7,978	45.9	92,200	5.2	11,557
Electrical & Electronics	7,924	.6	3,323	41.9	65,734	3.7	19,782
Motor Vehicles	1,794	.1	1,274	71.0	98,732	5.6	77,498
Transportation Equipment	2,216	.2	987	44.5	17,912	1.0	18,148
Instruments & Miscellaneous	13,488	.9	5,056	37.5	38,924	2.2	7,699
Transportation	39,477	2.8	10,870	27.5	39,691	2.2	3,651
Communication	6,858	.5	3,063	44.7	57,740	3.3	18,851
Electric, Gas & Sanitary Services	5,731	.4	1,602	28.0	55,057	3.1	34,368
Wholesale Trade	169,707	11.9	73,437	43.3	128,334	7.3	1,748
Retail Trade	273,845	19.2	114,166	41.7	155,928	8.8	1,366
Finance, Insurance & Real Estate	270,556	19.0	66,010	24.4	264,069	15.0	4,000
Services	314,027	22.0	99,376	31.6	75,213	4.3	757
Totals	1,424,563	100.0	505,682	35.5	$1,765,825	100.0	$ 3,492

Source: U.S. Department of the Treasury, Office of Tax Analysis.

ported 85.6 percent of total assets of all firms with net income. This fact indicates clearly that most of the contributors are much larger than average in terms of asset size. This situation holds in every industry but is most striking for manufacturing and the two utility industries, where well over 90 percent of the assets were reported by the companies reporting contributions.

The relative importance of any one industry in terms of corporate contributions reflects (1) the number of companies in the industry, (2) the proportion of companies in that industry reporting net income and contributions, and (3) the average amount of contributions reported. Although manufacturing as an industry group accounted for only 11.2 percent of all companies with net income, 47.7 percent of the manufacturers reported contributions, as compared to 35.5 percent for all corporations. Their average contribution was roughly $12,000 which was 3.4 times the $3,500 average for all companies. Thus, manufacturing companies as a group accounted for more than half of all corporate contributions. By contrast, the services industry accounted for only 4.3 percent of total contributions despite the fact that it represented 22 percent of all corporations with net income. Only 31.6 percent of the companies in the service industry reported contributions, and the average amounted to only $757.

Table 9b. Percentage Distribution of Assets, Percentage of Assets of All Corporations with Net Income, Average Assets, and Contributions as a Percentage of Assets, for Corporations Reporting Contributions, by Industry, 1977

	Assets of Corporations with Net Income						
	All Corporations		Corporations Reporting Contributions				
Industry	Amount (millions)	Percentage of Total	Amount (millions)	Percentage of Total	Percentage of Industry	Average Assets (thousands)	Contributions a Percentage of Assets
Agriculture	$ 19,692	.4	$ 10,264	.3	52.1	$ 949	.109
Mining	80,247	1.7	66,693	1.6	83.1	18,480	.032
Contract Construction	68,609	1.4	47,733	1.2	69.6	1,020	.102
Manufacturing:	1,062,377	22.3	1,013,251	24.8	95.4	13,346	.090
Food Products	85,900	1.8	79,978	2.0	93.1	13,811	.093
Tobacco	18,446	.4	18,400	.5	99.8	681,481	.066
Textiles	16,569	.3	15,243	.4	92.0	6,075	.153
Apparel	15,583	.3	13,728	.3	88.1	2,845	.217
Lumber & Wood Products	25,891	.5	23,693	.6	91.5	4,993	.065
Furniture & Fixtures	5,879	.1	5,072	.1	86.3	1,857	.137
Pulp & Paper	33,687	.7	32,861	.8	97.5	20,049	.117
Printing & Publishing	31,286	.7	27,876	.7	89.1	2,616	.021
Chemicals	97,732	2.0	93,259	2.2	95.4	27,325	.124
Petroleum Refining	225,863	4.7	224,738	5.5	99.5	560,444	.040
Rubber & Plastics	20,609	.4	19,207	.5	93.2	6,732	.068
Leather	3,554	.1	3,186	.1	89.6	3,938	.190
Stone, Clay & Glass	23,421	.5	21,467	.5	91.7	7,588	.108
Primary Metals	41,372	.9	39,091	1.0	94.4	15,852	.063
Fabricated Metal	47,743	1.0	42,087	1.0	88.2	3,625	.149
Machinery	120,071	2.5	114,988	2.8	95.8	14,413	.080
Electrical & Electronics	91,162	1.9	86,592	2.1	95.0	26,058	.076
Motor Vehicles	99,493	2.1	97,895	2.4	98.4	76,841	.101
Transportation Equipment	24,167	.5	23,434	.6	96.9	23,743	.076
Instruments & Miscellaneous	33,949	.7	30,456	.7	89.7	6,024	.128
Transportation	99,744	2.1	86,785	2.1	87.0	7,984	.046
Communication	145,845	3.1	139,706	3.4	95.8	45,611	.041
Electric, Gas & Sanitary Services	249,873	5.2	231,019	5.7	92.4	144,207	.024
Wholesale Trade	186,209	3.9	129,331	3.2	69.4	1,761	.099
Retail Trade	181,223	3.8	146,623	3.6	80.9	1,284	.106
Finance, Insurance and Real Estate	2,584,337	54.1	2,149,347	52.6	83.2	32,561	.012
Services	94,506	2.0	63,222	1.5	66.9	636	.119
Totals	4,772,663	100.0	$4,083,974	100.0	85.6	$8,076	.043

Source: U.S. Department of the Treasury, Office of Tax Analysis.

Contributions vs. Assets

Table 9b gives a breakdown of the assets, by industry, of all corporations with net income. The companies reporting contributions accounted for 85.6 percent of total assets, and the industry range varied from just over 50 percent for agriculture to more than 90 percent for most of the individual manufacturing industries. The average corporation with net income reported more than $8 million in assets, but the range of averages by industry was very large – from $636,000 for services to nearly $700 million for tobacco.

An alternative view of contributions relative to company size is the expression of contributions as a percentage of total assets, and this figure is shown for each industry in the right-hand column of Table 9b. For all companies with net income reporting contributions, their giving amounted to 0.043 percent of their assets. This number varied widely from one industry to another; for example, the highest was 0.217 percent for the apparel industry, the lowest was 0.012 percent for finance, insurance, and real estate. These variations reflect not only the relative generosity of different industries but also the economic characteristics of the companies included. In general, the labor-intensive industries such as agriculture, textiles, apparel, and leather tended to be significantly above the average, while the capital-intensive industries such as petroleum refining, utilities, and finance, insurance and real estate tended to be below average.

Table 9c. Number of Corporations, Total Assets and Average Assets, for Corporations with Net Income Not Reporting Contributions, and Ratio of Average Assets of Corporations with Net Income Reporting Contributions to Average Assets of Corporations with Net Income Not Reporting Contributions, by Industry, 1977

Industry	Corporations Not Reporting Contributions			
	Number	Total Assets (millions)	Average Assets (thousands)	Ratio
Agriculture	27,625	$ 9,428	$ 341	2.7
Mining	7,355	13,554	1,843	10.0
Contract Construction	89,140	20,876	234	4.3
Manufacturing:	83,084	49,126	591	22.5
Food Products	5,251	5,922	1,128	12.2
Tobacco	4	46	11,500	59.2
Textiles	1,748	1,326	759	8.0
Apparel	6,341	1,855	293	9.7
Lumber & Wood Products	5,018	2,198	438	11.3
Furniture & Fixtures	2,318	807	348	5.3
Pulp & Paper	1,173	826	704	28.4
Printing & Publishing	11,864	3,410	287	9.1
Chemicals	3,638	4,473	1,230	22.2
Petroleum Refining	528	1,125	2,131	262.9
Rubber & Plastics	3,210	1,402	437	15.4
Leather	673	368	546	7.2
Stone, Clay & Glass	3,638	1,954	537	14.1
Primary Metals	1,332	2,281	1,712	9.2
Fabricated Metal	12,167	5,656	464	7.8
Machinery	9,399	5,083	541	26.6
Electrical & Electronics	4,601	4,570	993	26.2
Motor Vehicles	520	1,598	3,073	25.0
Transportation Equipment	1,229	733	596	39.8
Instruments & Miscellaneous	8,432	3,493	414	14.5
Transportation	28,607	12,959	453	17.6
Communication	3,795	6,139	1,618	28.1
Electric, Gas & Sanitary Services	4,129	18,854	4,566	31.5
Wholesale Trade	96,270	56,878	591	2.9
Retail Trade	159,679	34,600	217	5.9
Finance, Insurance and Real Estate	204,546	434,990	2,127	15.3
Services	214,651	31,284	146	4.3
Totals	918,881	$688,689	$ 749	10.7

Source: U.S. Department of the Treasury, Office of Tax Analysis.

Companies Not Reporting Contributions

Table 9c is of special interest in terms of the incidence of corporate giving. It provides an industrial breakdown of corporations with net income *not* reporting contributions, and shows both total and average assets for these companies. The right-hand column is of particular interest. It shows the ratio of average assets for companies reporting contributions to average assets for companies not reporting contributions. These ratios indicate clearly that those not reporting contributions are very small in terms of assets by comparison to those reporting contributions. For example, the average assets for the 505,682 corporations reporting contributions amounted to 10.7 times the average assets for the 918,881 companies not reporting contributions. Among the industries shown, this ratio varied from a low of 2.7 for agriculture to 262.9 for petroleum refining. The ratios were generally higher for manufacturers than for nonmanufacturers.

Contributions, by Company Size

Tables 10 and 11 show the distribution of corporations with net income tabulated by asset size. Table 10 is designed to show the relative importance of companies in each asset size group in terms of contributions, assets, and net income, and includes figures on average contributions and contributions as percentages of net income and assets for each asset size group. The principal observation is that the largest companies, although relatively few in number, dominate in contributions as well as in assets and net income. However, their contributions are smaller as percentages of net income and assets than is the case with the medium and small companies.

For example, there were 1,127 companies with assets of $500 million or more; while they comprised only 0.08 percent of all companies with net income, they accounted for 62.7 percent of all assets of companies with net income, 54.1 percent of the net income, and 49.9 percent of the contributions. Their average contribution amounted to more than $782,000 and repre-

sented only 0.664 percent of their average net income.

Table 10 also shows that there is a rough inverse correlation between corporate size, as measured by assets, and contributions as percentages of net income and assets, at least among the companies with $1 million or more of assets which accounted for 91 percent of all corporate contributions. This pattern is generally consistent with that shown for many years in the Annual Survey of Corporate Contributions. In 1977, the percentage of contributions to net income decreases from 0.928 percent for the $1-25 million asset size classes to 0.664 percent for the asset class $500 million and over. Within this largest asset class, however, there is wide variation; companies in the $4 billion and $10 billion asset ranges reported contributions at less than 0.5 percent of net income, while those in the other asset size classes over $500 million reported 0.9 percent or more. It should be noted that there were fewer than 50 companies in each of the five largest asset size classes; in such a small group, a handful of companies with unusually high or low figures has a disproportionate influence on the group total.

CHART 4
NUMBER OF COMPANIES IN EACH ASSET SIZE GROUP REPORTING CONTRIBUTIONS AS A PERCENTAGE OF ALL COMPANIES IN THAT SIZE GROUP, FOR COMPANIES REPORTING A NET INCOME IN 1977

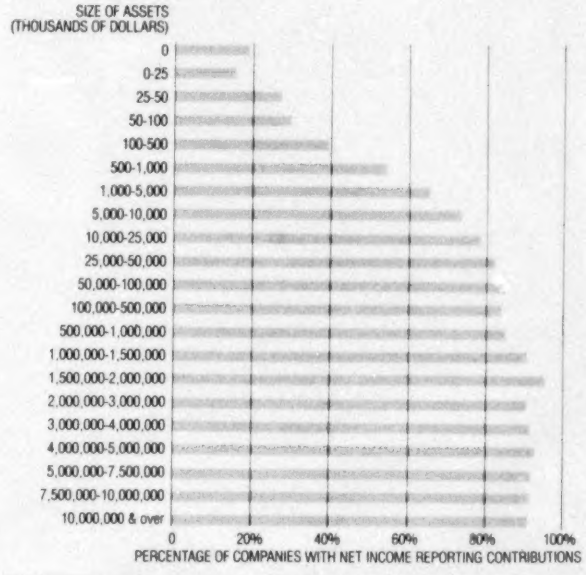


Table 10. Number and Percentage Distributions of Corporations, Amount and Percentage Distribution of Contributions, Amount and Percentage Distributions of Assets, Amount and Percentage Distributions of Net Income[a], Average Contribution, and Contributions as Percentages of Net Income and Assets for Corporations with Net Income, by Size of Assets, 1977.

Size of Assets (thousands)	Corporations with Net Income		Contributions		Assets		Net Income			Contributions	
	Number	Percent	Amount (thousands)	Percent	Amount (millions)	Percent	Amount (millions)	Percent	Average Contribution	as a Percentage of Net Income	as a Percentage of Assets
$0	23,603	1.7	$ 7,726	.4	$ 0	.0	$ 1,775	.7	$ 327	.435	–
$0-25	249,856	17.5	2,371	.1	2,762	.1	1,051	.4	9	.226	.086
$25-50	186,826	13.1	4,311	.2	6,836	.1	1,487	.6	23	.290	.063
$50-100	226,625	15.9	20,217	1.1	16,366	.3	2,706	1.1	89	.747	.124
$100-500	483,841	34.0	68,681	3.9	112,410	2.4	13,278	5.4	142	.517	.061
$500-1,000	112,654	7.9	58,294	3.3	78,865	1.7	7,792	3.2	517	.748	.074
$1,000-5,000	102,202	7.2	186,267	10.5	208,771	4.4	20,312	8.3	1,823	.917	.089
$5,000-10,000	14,332	1.0	77,495	4.4	100,349	2.1	8,376	3.4	5,407	.925	.077
$10,000-25,000	11,423	.8	100,348	5.7	181,514	3.8	10,544	4.3	8,785	.952	.055
$25,000-50,000	5,717	.4	75,871	4.3	200,268	4.2	8,611	3.5	13,271	.881	.038
$50,000-100,000	3,323	.2	74,226	4.2	231,186	4.8	8,819	3.6	22,337	.842	.032
$100,000-500,000	3,034	.2	208,410	11.8	635,167	13.3	27,877	11.4	68,691	.746	.033
$500,000-1,000,000	501		134,771	7.6	352,104	7.4	14,435	5.9	269,004	.934	.038
$1,000,000-1,500,000	190		110,569	6.3	235,527	4.9	11,566	4.7	581,942	.956	.047
$1,500,000-2,000,000	119		72,518	4.1	206,697	4.3	8,061	3.3	609,394	.900	.035
$2,000,000-3,000,000	133		112,529	6.4	323,313	6.8	11,628	4.7	846,083	.968	.035
$3,000,000-4,000,000	46		53,026	3.0	163,294	3.4	4,872	2.0	1,152,739	1.088	.032
$4,000,000-5,000,000	38		29,059	1.6	168,955	3.5	5,891	2.4	764,711	.493	.017
$5,000,000-7,500,000	35		88,719	5.0	217,048	4.5	8,572	3.5	2,534,829	1.035	.041
$7,500,000-10,000,000	22		41,009	2.3	193,035	4.0	3,702	1.5	1,864,046	1.108	.021
$10,000,000 & over	43		239,409	13.6	1,138,415	23.9	63,981	26.1	5,567,651	.374	.021
Totals	1,424,563	100.0	$1,765,825	100.0	$4,772,882	100.0	$245,334	100.0	$ 1,240	.720	.037

a IRS Definition, See footnote (a), Table 5.
Source: U.S. Department of the Treasury, Office of Tax Analysis.

The Record of Participation in Corporate Giving

Table 11 shows the proportions of companies with net income reporting contributions, by asset size class. Only 35.5 percent of all corporations with net income reported contributions, but the percentage is higher than this for every asset size group except the four smallest. This is shown clearly on **Chart 4.** Among corporations with $1 billion or more of assets, more than 90 percent reported contributions. Among companies with less than $1 billion but over $25 million, more than 80 percent reported contributions; and among corporations with between $5 million and $25 million of assets, more than 70 percent reported contributions. It is quite clear from these data that the bulk of the companies not reporting contributions are very small enterprises.

It is worth considering at this point why some 10 percent of the largest corporations in terms of assets did not report any contributions even though they reported positive net incomes. To an unknown but undoubtedly significant extent this reflects the defects of the IRS tabulation of income tax returns as an authoritative source of information about corporate contributions. As discussed in Appendix A, these data do not include the grants disbursed by corporate foundations. Some of the largest companies have such foundations that are fully funded, and to the extent that 1977 was a year in which these companies did not transfer any funds to their foundations, they would not have reported any contributions. That is, all of their contributions would have been made by their foundations and hence not included in these figures.

Another factor relates to certain classes of companies, primarily mutual life insurance companies, for which the Internal Revenue Code has special provisions that require a tax calculation in which the charitable contributions are excluded. In such cases, the company does not need to report its contributions on its tax form.

Table 11 also shows that the assets and net incomes of the corporations with net income that reported contributions account for more than half of the total assets and net incomes in every asset size class except the five smallest. And in the aggregate, the companies reporting

Table 11. Corporations, Assets and Net Income[a]; Percentage Distribution and Relative Importance of Corporations Reporting Contributions; Average Contributions; and Contributions as Percentages of Net Income and Assets; for Corporations with Net Income, by Sizes of Assets, 1977.

	Corporations with Net Income				Assets of Corporations with Net Income			
		Corporations Reporting Contributions				Assets of Corporations Reporting Contributions		
Size of Assets (thousands)	Total Number	Number	Percent	Percentage of Corporations in Asset Class	Total (millions)	Total (millions)	Percent	Percentage of Total in Asset Class
$0	23,603	4,451	.9	18.9	$ 0	$ 0	–	–
$0-25	249,856	36,397	7.2	14.6	2,762	495	–	17.9
$25-50	186,826	50,529	10.0	27.0	6,836	1,900	–	27.8
$50-100	226,625	67,628	13.4	29.8	16,366	4,943	.1	30.2
$100-500	483,841	188,399	37.3	38.9	112,410	46,400	1.1	41.3
$500-1,000	112,654	60,958	12.1	54.1	78,865	43,107	1.1	54.7
$1,000-5,000	102,202	66,738	13.2	65.3	208,771	139,747	3.4	66.9
$5,000-10,000	14,332	10,566	2.1	73.7	100,349	74,302	1.8	74.0
$10,000-25,000	11,423	8,969	1.8	78.5	181,514	142,825	3.5	78.7
$25,000-50,000	5,717	4,696	.9	82.1	200,268	165,152	4.0	82.5
$50,000-100,000	3,323	2,816	.6	84.7	231,186	196,115	4.8	84.8
$100,000-500,000	3,034	2,539	.5	83.7	635,167	529,198	13.0	83.3
$500,000-1,000,000	501	423	.1	84.4	352,104	297,840	7.3	84.6
$1,000,000-1,500,000	190	172		90.5	235,527	212,788	5.2	90.3
$1,500,000-2,000,000	119	113		95.0	206,697	196,405	4.8	95.0
$2,000,000-3,000,000	133	120		90.2	323,313	291,915	7.1	90.3
$3,000,000-4,000,000	46	42		91.3	163,294	149,717	3.7	91.7
$4,000,000-5,000,000	38	35		92.1	168,955	155,165	3.8	91.8
$5,000,000-7,500,000	35	32		91.4	217,048	201,237	4.9	92.7
$7,500,000-10,000,000	22	20		90.9	193,035	173,951	4.3	90.1
$10,000,000 & over	43	39		90.7	1,138,415	1,060,855	26.0	93.2
Totals	1,424,563	505,682	100.0	35.5	$4,772,882	$4,084,056	100.0	85.6

a IRS Definition. See footnote (a), Table 5.

Source: U.S. Department of the Treasury, Office of Tax Analysis.

contributions account for 85.6 percent of total assets and 83.9 percent of total net income for all companies with net income.

The three right-hand columns of Table 11 are of special interest. The average contribution for companies reporting contributions ranges from $65 for the smallest companies to $6.1 million for the largest, yet the average for all companies is just under $3,500. And the exclusion of companies not reporting contributions results in higher levels of contributions as percentages of net income in Table 11 than in Table 10.

Comparison with 1970 Data

A brief comparison of these data with those from 1970 is in order. Total corporate charitable contributions reported to the IRS on corporation income tax returns increased from $797 million in 1970 to $1.791 billion in 1977, an increase of 124.7 percent, or 12.3 percent per year. During the same period of time, corporate profits before taxes (NIPA) increased from $75.4 billion to $192.6 billion, an increase of 155.4 percent, or 14.3 percent per year. As a consequence, contributions as a percentage of profits before taxes decreased from 1.06 percent to 0.93 percent. This decline is not significant for two reasons. First, the percentage of contributions to profits before taxes lagged one year shows an increase from 0.92 percent to 1.08 percent, and there is considerable validity in using this lagged relationship rather than the contemporaneous one. Second, 1970 was an "abnormal" year for both contributions and corporate profits. An income tax surcharge of 10 percent was in effect in 1968 and 1969, which made it advantageous for many companies to make some contributions in 1969 that otherwise would have been made in 1970. Evidence on this point stems from the fact that contributions fell from $1.055 billion in 1969 to $797 million in 1970, a decline of 24.4 percent; this is the largest year-to-year decline since the 36.6 percent drop in 1954 when the excess profits tax imposed during the Korean War was repealed. Corporate pretax profits in 1970 were 13.0 percent lower than in 1969 and 14.8 percent lower than in 1968 as a result of the 1968-1970 recession.

Net Income[a] of Corporations with Net Income				Contributions of Corporations Reporting Contributions			
	Net Income of Corporations Reporting Contributions						
Total (millions)	Total (millions)	Percent	Percent of Net Income in Asset Class	Average	as a Percentage of Net Income	as a Percentage of Assets	Size of Assets (thousands)
$ 1,775	$ 1,123	1.0	63.3	$ 1,736	.688	–	$0
1,051	205	.1	19.5	65	1.157	.479	$0-25
1,487	459	.2	30.8	85	.939	.227	$25-50
2,706	956	.4	35.3	299	2.115	.409	$50-100
13,278	5,949	2.9	44.8	364	1.154	.148	$100-500
7,792	4,617	2.2	59.3	956	1.263	.135	$500-1,000
20,312	14,583	7.1	71.8	2,791	1.277	.133	$1,000-5,000
8,376	6,291	3.1	75.1	7,334	1.232	.104	$5,000-10,000
10,544	8,113	3.9	76.9	11,188	1.237	.070	$10,000-25,000
8,611	6,691	3.2	77.7	16,157	1.134	.046	$25,000-50,000
8,819	7,164	3.4	81.2	26,359	1.036	.038	$50,000-100,000
27,877	23,102	11.2	82.9	82,083	.902	.039	$100,000-500,000
14,435	12,251	6.0	84.9	318,608	1.100	.045	$500,000-1,000,000
11,566	10,782	5.2	93.2	642,843	1.025	.052	$1,000,000-1,500,000
8,061	7,810	3.8	96.9	641,752	.929	.037	$1,500,000-2,000,000
11,628	11,290	5.4	97.1	937,742	.997	.039	$2,000,000-3,000,000
4,872	4,748	2.3	97.5	1,262,524	1.121	.035	$3,000,000-4,000,000
5,891	5,825	2.8	98.9	830,257	.499	.019	$4,000,000-5,000,000
8,572	7,539	3.7	88.0	2,772,469	1.177	.044	$5,000,000-7,500,000
3,702	3,374	1.6	91.1	2,050,450	1.215	.024	$7,500,000-10,000,000
63,981	63,022	30.6	98.5	6,138,692	.379	.023	$10,000,000 & over
$245,334	$205,894	100.0	83.9	$ 3,492	.858	.043	Totals

APPENDIX A

Quality of IRS Contributions Data

For want of any alternative source of comprehensive information, the tabulations of corporate contributions data taken from the income tax returns filed by business corporations are widely quoted as *the* measure of total corporate giving. On both conceptual and practical grounds, however, these tabulations are by no means valid.*

By definition, the data in the tax file are limited to what corporations report as their contributions amounts on their annual tax returns. Obviously the data do not include any contributions that were made in the given year but not reported in that year. What is perhaps less obvious is that the tax file includes amounts that were reported in the given year but which reflect contributions made in other years.

The net effect of these omissions and inclusions is unknown, but it is probably a net understatement of corporate giving in most years. Aside from the problems of timing, which result from contributions being reported in years other than those in which they were made, it is certain that there are appreciable amounts that are never reported at all. The reasons for this are inherent in the structure of corporate giving and in the provisions of the Internal Revenue Code. Because of these influences, there are at least six defects in the tax data that make them less than perfect as an indication of how much money and property the corporate community contributes to charity each year.

Corporate Foundations

1. In all probability, the most serious defect has to do with the emergence of the corporate foundation as a vehicle or channel through which corporate philanthropy is disbursed. A very significant share of corporate giving is now accounted for by these foundations, so that the ideal measure of corporate philanthropy would be the consolidated contributions of corporations and their foundations, with an elimination of the amounts transferred from corporations to the foundations. Such a measure would correspond precisely with the amounts of support received from corporate sources by the nation's charitable organizations.

For tax purposes, however, corporations report the total amount of contributions made to qualified charitable entities *including* their own sponsored foundations. And the amounts given by corporate foundations to other charitable entities are *not* reported on corporate tax returns; rather, they are reported by the foundations on Form 990PF, a return filed by all private foundations in lieu of a tax return.

This means that the corporate tax file overstates the amount of corporate giving by the amount given *to* corporate foundations and understates the amount of corporate giving by the amount given *from* corporate foundations. These two amounts and the difference between them are unknown for the corporate community as a whole, but it is known that the difference is typically positive in years when corporate profits are high and rising and typically negative when corporate profits are low and falling. The tax file data, therefore, will show a net overstatement of the consolidated corporation-plus-corporate-foundation giving in years of good profits and a net understatement in years of poor profits.

Such differences provide an illustration of the principal function of corporate foundations. When corporate philanthropy is disbursed solely from corporate funds, there is a tendency for it to rise and fall with corporate profits over the course of a business cycle. By funding their foundations heavily in years of good profits, corporations in effect set aside reserves of money that can be used in years of poor profits, thus insulating the ultimate recipients of corporate philanthropy from the ups and downs of the profits cycle.

The actual situation is even more complex. Many corporate foundations are of the "flow-through" variety; that is, they disburse during a given year all or virtually all the money they receive in that year, including any income from the investment of their assets. Other foundations may have a corpus of variable size from one year to another; they also receive periodic funding from their sponsoring companies so that the grants made by these foundations will sometimes be more and sometimes be less than their receipts. And a few foundations are "fully funded" in the sense that they have a corpus, perhaps built up over many years, that is sufficiently large that all their charitable grants can be made out of the earnings from the investment of the accumulated assets. In such cases, the sponsoring company may make no charitable contributions at all; and it will report no contributions on its income tax return.

There is no rigid dividing line between these three general types of corporate foundations, and a foundation may change from one type to another with the passage of time and changes in corporate circumstances.

Adjustments Needed

If comprehensive information on corporate foundations were available, it would be a simple matter to adjust the tax file data on corporate giving to reflect the flow of money in and out of corporate foundations. Unfortunately, no such comprehensive data exist; the financial information on corporate foundations is not segregated from that supplied to the IRS by all private foundations. It is not known how much they receive from corporations, how much they have in assets, how much they earn from investments, nor how much they disburse in charitable grants; indeed, it is not even known exactly how many corporate foundations exist. Some of these gaps in knowledge will be filled by new

The term "validity" refers to the property of statistical data accurately to measure what it is supposed to measure. It differs from the term "accuracy" which refers to the correctness of the data.

information now being collected in the Annual Survey of Corporate Contributions (see below).

Some idea of the size of the adjustments necessary to correct the tax file is provided by the Annual Survey of Corporate Contributions which is conducted jointly by The Conference Board and the Council for Financial Aid to Education. The following data reflect the amounts reported in these Surveys since 1974:

Structure of Corporate Contributions (millions of dollars)

	1974	1975	1976	1977	1978	1979	1980	1981
Total Company Gifts (millions of dollars)	$437.7 (772)	$381.6 (761)	$531.7 (743)	$639.9 (793)	$834.4 (740)	$855.7 (763)	$944.7 (709)	$1,039.1 (768)
Less: Gifts to Company Foundations	154.1 (239)	113.4 (230)	207.7 (227)	285.1 (248)	418.7 (249)	372.1 (291)	381.4 (249)	361.6 (239)
Direct Company Gifts to Others	283.6 (730)	268.3 (719)	324.0 (694)	354.8 (731)	415.7 (697)	483.6 (722)	563.3 (661)	677.5 (735)
Plus: Company Foundation Gifts	154.3 (329)	168.5 (322)	195.7 (320)	240.9 (341)	277.5 (329)	351.9 (352)	431.3 (353)	493.3 (359)
Total Corporate Contributions	$438.1 (799)	$436.8 (796)	$519.7 (773)	$595.7 (816)	$693.2 (759)	$835.5 (786)	$994.6 (732)	$1,170.8 (789)
Difference Between Foundation Receipts and Foundation Gifts	−.2	−55.1	+12.0	+44.2	+141.2	+20.2	−49.9	−131.7

(Numbers in parentheses show the number of companies reporting.)

This period of time encompasses a full business cycle from recession to recovery and peak, and back to recession. The difference between foundation receipts and foundation gifts, shown on the bottom line, portrays the functioning of the foundation mechanism. When profits were low and declining, as in 1974-75 and again in 1980-81, the foundations paid out more than they received. When profits were high and rising, as in 1976-79, the foundations received more than they paid out.

Foundation Assets and Earnings

Data on foundation assets and earnings were obtained for the first time in the 1981 Survey, and while the results were not wholly satisfactory, they shed new light on the functioning of the corporate foundation. The data show the following for 323 companies:

Market value of assets, 1/1/81	$1,584,592,818
Payments into foundations	327,377,597
Earnings on assets	180,035,571
	2,092,005,986
Gifts made by foundations	439,960,577
	$1,652,045,409
Market value of assets, 12/31/81	$1,645,246,801

That the arithmetic is not precise is an indication of the incompleteness of the data. The lack of precision, however, is of little importance in comparison to the broad sweep of these numbers. They indicate, for example, that there is a very large pool of assets in the hands of corporate foundations, a pool that could be tapped to maintain corporate giving even if current support from the sponsoring companies should fall to zero. And they indicate that the earnings on foundation assets are important as a means of funding current foundation grants programs.

Presumably the companies that have foundations and that do not participate in the Survey would have reported a somewhat similar experience. Although the dollar amounts are not known, it seems unlikely that they would have been greater than those of the reporting companies. This suggests that the proper adjustments to the tax file data would be no greater than about $200 million, plus or minus, in any recent year. This is clearly a subject for further research.

Carryover of Contributions

2. A second defect of the tax file data relates to the provision in the Internal Revenue Code that allows for the carryover of excess contributions from one year to another. Section 170(d)(2) of the tax code limits the contributions deduction to 5 percent of taxable income and provides for a five-year carryover of any excess amount.* In any given year, therefore, the amounts re-

*A provision in the Economic Recovery Tax Act of 1981 raises this limitation from 5 percent to 10 percent of taxable income for taxable years beginning after December 31, 1981.

ported on corporate tax returns will include some contributions amounts carried over from prior years and exclude the amounts carried forward to future years.

This carryover feature is of special importance for companies that have zero or negative taxable income. In the present study, for example, as shown in Table 5, there were 817,379 companies that reported a net loss in 1977. Any contributions made by them automatically exceeded the 5 percent limit in that year and were therefore nondeductible. Some 19,440 such companies nevertheless reported contributions aggregating $25.4 million, for an average of $1,300 per company. Such amounts claimed as deductions are ultimately disallowed in the audit process, but the companies have the right to carry them over to their tax returns for 1978 and four subsequent years.

Many of the other companies reporting a net loss undoubtedly made contributions in 1977 and simply did not report them for tax purposes because of their nondeductibility in 1977. If one assumes arbitrarily that the proportion of the net loss companies making contributions was the same as it was for corporations reporting net income (i.e., 35.5 percent), then roughly 290,000 net loss companies made contributions that they would have reported had they had some taxable income in 1977. Since 19,440 such corporations did report their contributions, perhaps 271,000 other net loss companies made but did not report some charitable giving. Assuming an average of $1,300 per company, this omission would account for a maximum of $350 million in unreported contributions.

However, the actual magnitude of this carryover defect is highly uncertain. The above estimate makes no allowance for any of the characteristics of the companies reporting a net loss in 1977. It does suggest that significant amounts may be involved, and there are other clues that support this guess. One such clue arises from the responses to the Annual Survey of Corporate Contributions. One of the questions asked routinely on the Survey form is whether the amount of contributions reported is the same as the amount claimed as a deduction on the corporate income tax return. In the 1979 Survey, about a third of the respondents said "no," and the most frequently mentioned reason was the existence of carryover amounts. This would, of course, include both amounts carried over from the past as well as amounts carried over to the future.

The Prepayment Option

3. A small defect of the tax file data stems from a company's right to "prepay" contributions as provided in Section 170(a)(2) of the Internal Revenue Code. Under certain circumstances contributions made in the first two and a half months of a fiscal year may be taken as a tax deduction in the prior fiscal year. Some of the contributions reported in the 1977 file were actually disbursed in 1978 by companies utilizing this provision of the Code. Likewise, some of the contributions actually made in 1977 were reported in 1976.

The total amount involved here is probably relatively small. Although several large companies are known to utilize this prepayment option from time to time, it is believed not to be widely utilized by the majority of corporations. In actuality, however, there is no measured evidence on this subject.

Industries with Special Tax Rules

4. There are special circumstances under which mutual insurance companies, mutual savings banks, savings and loan associations, and similar corporations must compute their income tax liabilities without any deduction for charitable contributions. In such cases the companies have no incentive to report any of their contributions on their income tax returns.*

Many large companies in this category are known not to report their contributions even though their giving programs involve significant amounts. In the aggregate, the dollar amount of these omissions is unknown; however, the effect is clearly to understate corporate giving in the tax file.

What is a Contribution?

5. The most complex of the defects of the tax file data has to do with the definition of a charitable contribution. While the vast majority of situations pose no problem, there are many instances where a transaction may be treated not as a contribution but as some other kind of business expense.

Examples abound, especially in corporate giving to higher education. Scholarships for employees' children are sometimes treated as an employee-relations expense and sometimes as contributions. Grants to academic departments in connection with employee advanced education are sometimes treated as contributions and sometimes included as an educational expense.

However, the greatest problem appears to be in the area of research support. The corporate community provides funds to universities for research purposes under many different kinds of arrangements. At one extreme are contracts under which specific research is performed for the benefit of the corporation providing the money. At the other extreme are departmental grants designated for research support without any direct benefit to the donor company. In between are numerous arrangements that may or may not qualify as contributions.

Similarly, grants to public television stations may be

**The Tax Equity and Fiscal Responsibility Act of 1982 moves many life insurance companies from a Phase I tax base, which effectively limited the deductibility of charitable contributions, to a Phase II tax base. This means that charitable contributions will for the first time become fully deductible for such companies.*

treated as contributions by some companies and as an advertising expense by other companies.

Gifts "In-Kind"

Certain "gifts-in-kind" represent a special problem in this area because of changes over the years in the tax treatment of gifts of property other than cash. The legitimacy of charitable contributions of noncash property has long been recognized by the Internal Revenue Code (Section 170(e)) as well as by conventional public attitudes. Prior to the early 1960s such gifts could be deducted for tax purposes at their fair market values. In particular, this valuation rule applied to property produced by the donor or otherwise carried in inventory by the donor as stock in trade. However, the Tax Reform Act of 1969 changed the basis of valuation from fair market value to (production) cost, and this change is known to have materially reduced the incentives for many corporations to make such gifts. Although there have been two modifications of this valuation rule since 1969, they affect only certain kinds of gifts made for certain specified purposes.

There is very little information available regarding noncash corporate giving, but it is known that many companies do make such gifts. In some cases these gifts-in-kind reflect a formal program of contributions with rigid accounting; in other cases, particularly those involving unsalable but usable merchandise, the gifts may be written off and charged to any of a number of noncontributions accounts.

In principle, the character of a transaction as a contribution is simple. In practice, however, there are many instances in which corporations have difficulty in determining whether a given payment is or is not a contribution. Just how this problem affects the totals reported in the corporate tax file is uncertain, but it is thought to involve a net understatement.

The Question of Small Firms

6. The sixth of the known defects of the tax file data arises from the fact that the overwhelming majority of business corporations are small, closely held enterprises. These firms are essentially proprietorships and partnerships in disguise. Their owners, both individuals and families, have opted for the corporate form of legal organization to limit their personal liabilities, to provide for the continuity of ownership, to achieve certain tax savings, and to accomplish other purposes. Aside from their legal form, these companies have little in common with the larger, publicly held corporations which dominate the financial statistics of the business community.

Since they are privately held, the financial data on these small companies are not publicly disclosed except for the summary information in the corporate income tax file. There are, therefore, no data other than the totals in the tax file to indicate how much they give in "corporate" contributions as distinct from the personal contributions of their owners.

As indicated in Table 7, however, 918,881 companies with positive income reported no contributions in 1977. The net (taxable) income of these companies totaled $39.4 billion, for an average of roughly $43,000 per company. It is clear from this figure that these companies, shown as "noncontributors," are typically very small corporations.

The fact that these small companies did not report any contributions does not necessarily imply that they and/or their owners did not make any contributions. In all probability, the owners of these enterprises did make charitable contributions in 1977, in some cases from corporate funds and in some cases from personal funds. Since the marginal income tax rates for small companies are relatively low, there may even be a preference for giving personal funds rather than corporate funds.*

Even when corporate funds are used, the contributions may be recorded as a miscellaneous expense or as some other noncontributions expense. Small enterprises like these typically have relatively simple bookkeeping systems with a minimum number of accounts for recording expenses. Furthermore, these companies are seldom audited. Contributions, therefore, could easily have been recorded in any of several different accounts and not reported as such for tax purposes.

**In 1977, the corporate tax rates were 17 percent for the first $25,000 of taxable income, 20 percent for between $25,000 and $50,000, and 30 percent for between $50,000 and $75,000. Since the average taxable income for the 918,881 noncontributors was $43,000, it is clear that a very high proportion of them were subject to these low marginal tax rates. By contrast, the marginal tax rates for individuals with equivalent taxable incomes ranged from a low of 36 percent to a high of 66 percent, depending on filing status and other variables. A charitable contribution of any size, therefore, was worth more in terms of tax savings when paid from the personal funds of the owner than it was when paid from corporate funds.*

APPENDIX B

Contributions as a Percentage of What?

In virtually all discussions about corporate contributions, sooner or later the subject will turn to the question of what a given dollar figure represents as a percentage of some other dollar figure. In the typical case, the contributions dollars will be expressed as a percentage of pretax net income (PTNI), although there are many variations and alternatives that are used either for conceptual or practical reasons.

The reason for this interest in "the percentage" is simple. For most purposes, the dollar amounts of contributions are less important than an expression of those dollars relative to a reference base that will permit comparisons—comparisons against conventional norms, comparisons between companies, and comparisons over time.

Contributions Norms

The conventional norms used are actually quite arbitrary. There is, for example, a provision in the Internal Revenue Code (IRC) that permits corporations to deduct charitable contributions in the determination of income subject to tax up to a specified percentage of taxable income. Between 1936 and 1981 that level was 5 percent; with the passage of the Economic Recovery Act of 1981, the level was increased to 10 percent for tax years beginning after 1981. In passing, it should be noted that the IRC does not prohibit higher levels of corporate contributions, it merely limits the amounts that can be deducted for tax purposes.

There are a few states in which the statutes that empower corporations to make charitable contributions provide a limitation on the level of giving, usually stated as a percentage of capital, but there are no other known legal limitations. The 5 percent clause in the IRC attracted much interest in the 1970s as a kind of norm against which to measure corporate performance when in fact it was established as a ceiling to discourage corporations from giving too much. The observation that corporations were giving at about a 1 percent level when they could deduct as much as 5 percent led many to conclude that there was an untapped reservoir of contributions that would be forthcoming if only the business community would conform to what the tax law said it could do.

This kind of reasoning is specious. One might equally well conclude that there is an untapped reservoir of contributions that would be forthcoming if only individual taxpayers would conform to what the tax law says they can do. After all, the total of individual giving amounts to only about 3 percent of total adjusted gross income (AGI), while the tax law permits contributions of cash up to 50 percent of AGI and contributions of appreciated property up to 30 percent of AGI! It is likely that both individuals and corporations can be persuaded to give at higher levels relative to income, but the fact that there is an "underutilized" tax deduction is hardly a valid argument in favor of their doing so.

A variety of other contributions norms have arisen in the past twenty years, most of which are actually targets or goals for companies interested in demonstrating a high degree of social responsibility or corporate citizenship. There are today a number of organizations, or "clubs," which have been formed to promote giving at various percentages of PTNI, taxable income, or some other measure of corporate earnings. These percentages are simply arbitrary expressions of the levels of giving that are deemed desirable or appropriate.

Other Comparisons

The intercompany and intertemporal comparisons are another matter. Such comparisons can be stated as a percentage of any one of several alternative measures, and the comparisons will be valid and proper if the divisor used is consistent as between companies and between time periods. However, there are so many variations and alternatives that may be, and in fact are, used for such comparisons that there have arisen much confusion and misunderstanding in this area. The problems are compounded by the widespread interest in making comparisons with the total corporate universe or some major subset of that universe. There are three sources of difficulty: one is conceptual, the second is a question of data sources, and the third is a matter of statistical procedure.

Conceptual Problems

The most widely used reference point is corporate earnings. The alternatives include total sales, total assets, and the number of employees. With the exception of measures based on total assets, virtually all comparisons are based on contributions as a percentage of corporate earnings. The term "corporate earnings" almost always means "profits before income taxes" or "pretax net income" (PTNI) or some similar concept.*

The rationale for measuring corporate contributions as a percentage of PTNI stems from several considerations. First is the notion that the measurement should be based on income since contributions are generally regarded as being made out of income. Indeed, without income, any money or other property given to charity would have to be taken from capital or net worth. Al-

*Terminology in this area can be confusing because the names given to financial statements and to specific items on those statements vary from company to company and change over the course of time. The concept of "pretax profits" or "pretax earnings" derives from the structure of the corporate profit-and-loss statement (which is also known by other names such as "statement of income" and "statement of earnings"). In general, such statements show the sources of revenue (or receipts, or income) with a total, followed by a list of various categories of expenses (or costs, or deductions) with a total. The difference between the two totals is net profit, or net income, or net earnings. In most instances, the deduction for income taxes is shown separately so that the difference between total revenue and total expenses is pretax profits, or pretax income, or pretax earnings. Custom dictates the use of terms like PTNI or NIBT (net income before taxes) despite the fact that there are objections to the use of the word "net" in these expressions. Although it is preferable to use "pretax income" or "income before taxes" to describe this concept, by popular usage it is perfectly correct to use PTNI to mean "profits before income taxes."

though some companies (see Table 5) that report a net loss do make charitable contributions and are, in effect, giving out of capital, this is normally a temporary situation. Giving out of capital is not regarded as proper except in very extraordinary circumstances. Therefore, the relationship between giving and net income is "natural."

Second, if net income is appropriate, it should be measured before income taxes, not after. Since contributions are deductible for income tax purposes, the amount of giving affects the amount of tax liability. Ideally, the measurement of corporate contributions should be against a variable that is independent of the level of contributions itself. Since the level of after-tax net income depends on the amount of contributions, or at least the amount deducted for tax purposes, it is not an ideal point of reference.

Third, income is widely regarded as the principal measure of the capacity to give. Since large companies are expected to give more than small companies, the contributions measurement should be made against a variable that generally reflects corporate size. While PTNI is a very imperfect measure of corporate size, it does reflect the capacity to give and is therefore very widely used for making intercompany comparisons. Similarly, the capacity to give grows larger as PTNI increases with the passage of time, and this makes it useful for making intertemporal comparisons.

Problems with PTNI

Despite these and other considerations, there are many who find the use of PTNI to be unsatisfactory. To begin with, PTNI varies with economic conditions, and the profits cycle affects some companies and some industries very severely. When PTNI decreases sharply, the percentage of giving rises significantly even though the level of contributions remains constant. And there is inherently a problem when a company's profit turns into a loss, as with some 720,000 corporations in the 1970 tax file and 817,000 in 1977. In such cases, the percentage of contributions has no meaning for any individual company, and the inclusion of negative PTNI for some companies in any aggregation of a group of corporations tends to distort the computed percentage. More about this below.

As indicated in the text, there is also a question about the proper year's PTNI to use in making any kind of comparisons or assessments. There is inevitably a tendency to relate contributions in any given year to PTNI in the same year, even though the decision-making processes nearly all suggest that a lagged relationship is more appropriate. The typical contributions budget is determined in advance of the year in which the contributions are disbursed, and the level of giving is most often determined in reference to earnings in one or more years prior to the disbursement year. Indeed, it is a widespread practice to use moving averages of two or more years' profits in conjunction with some target, goal or other norm for giving in the determination of the total amount of contributions to be disbursed in a following year. The contemporaneous percentage, therefore, may be quite different from the planned one because of an unexpected rise or fall in PTNI. For example, a company may target its contributions at 1 percent of PTNI only to find that the actual figure is much higher, because of an unexpected fall in PTNI, or much lower, because of an unexpected rise in PTNI.

The same is true for the entire corporate universe or for any smaller grouping of companies. The giving percentage rises and falls from one year to the next because of falling or rising profits more than from changes in the levels of contributions. This phenomenon shows clearly in Table 1: on at least eight occasions over the last 45 years there was a year-to-year decline in PTNI for all corporations which was accompanied by a sharp rise in the percentages. In the two most recent years, 1980 and 1981, the estimates of contributions show a rise while PTNI fell, and the resulting percentage shows an exaggerated jump from 0.91 percent in 1979 to 1.25 percent in 1981.

Those who find the use of PTNI unsatisfactory often point out that the effective income tax rates vary widely from company to company, and they advocate the use of after-tax net income (ATNI) as a divisor. Their preference for using ATNI is based on the rationale that the capacity to give is associated with the actual profits remaining after *all* deductions, including income taxes. They argue further that the contributions percentage is so small in relation to the effective tax rates that the impact of the contributions deduction on ATNI is very small, so that it does not matter from a practical point of view that ATNI is affected by contributions.

A more important objection to the use of PTNI is voiced by those companies that derive a substantial share of their profits from operations outside the United States. In their view, it is inappropriate to measure contributions made in the U.S. against "worldwide" profits, and they prefer to measure their giving as a percentage of *domestic* PTNI only. While there is a certain logic to this view, it raises additional problems and introduces additional complexities in making comparisons between companies.

It is clear that PTNI is a very imperfect point of reference for measuring or assessing the level of corporate contributions. But despite its shortcomings, it continues to be more popular than any of the alternatives. It is also desired by many who wish to relate their own company's giving to the aggregate of all corporate contributions. However, there is a major problem.

Total Corporate PTNI Unavailable

As surprising as it may seem, there is no authoritative statistical tabulation of corporate profits before income taxes, as defined by generally accepted accounting principles (GAAP) for the corporate community as a whole. Only the large, publicly held companies are re-

quired to make such information available, and while they account for the bulk of total corporate PTNI, the figures available from these sources are incomplete as a representation of the corporate universe. The two million-plus privately held companies are not required to publish their financial data nor to report such information except on a confidential basis to certain federal and state authorities. In the absence of any data on the total PTNI for all corporations, it is not possible to calculate contributions as a percentage of PTNI for the entire corporate universe on a basis that is consistent with the figures for individual companies.

Substitutes for PTNI

As in many other situations, the answer to this problem is to use the best available surrogate for total PTNI. There are, at this time, only two reasonable choices and both are conceptually quite different from PTNI. One is the estimate of corporate profits before taxes included as a component of the national income and product accounts (NIPA) compiled by the U.S. Department of Commerce. The other is the tabulation of "net income" from corporate income tax returns published by the Internal Revenue Service (IRS). Of the two, the NIPA estimates are preferred both because they conform more closely to the GAAP concept and because they are available with less of a time lag than the IRS figures.

The NIPA estimates of corporate profits before taxes are shown in Table 1. Because of their ready availability and acceptability, they and the percentages derived from them are the most widely used and quoted figures on this subject. However, the NIPA concept is distinctly different from the GAAP concept and the percentages shown in Table 1 are not fully comparable to the figures applicable to any one business corporation.*

One other disadvantage to the use of NIPA estimates is that the estimates are revised from time to time. This means that the percentages calculated from them must also be revised. Although the revisions seldom exceed two or three percent in magnitude, they have been larger than this in the recent past and they have caused the percentages to change appreciably. For example, the first estimate of corporate profits before tax (NIPA) for 1977 (published in 1978) was $173.9 billion, and contributions amounted to 1.03 percent of this figure. The current estimate for 1977 is $194.7 billion, more than 10 percent above the initial estimate, and contributions are now shown as 0.92 percent of profits. Such changes are inherent in the NIPA system; estimates are prepared on the basis of the information available at the time, and as more and more information becomes available the estimates are revised accordingly.

Taxable Income vs. PTNI

The only alternative to the NIPA estimates as a surrogate for total PTNI is the tabulation of net income figures from corporate income tax returns published annually by the IRS. These figures are inferior to the NIPA estimates for practical and conceptual reasons. The IRS data are unsatisfactory on practical grounds because they are not available until at least three years after the fact. The long delay is inherent in the nature of the filing dates for tax returns, and even though the IRS tabulations are based on a stratified sample, the process of tabulation and analysis typically requires more than a year after the last returns are available. Thus, the data in this monograph, which apply to 1977, were not available in final form until late 1981.

Even if the data were available earlier, the concept of profits used for tax purposes is so different from the GAAP concept that there is no comparability with corporate PTNI figures. The tax law contains many provisions for special exclusions and deductions, and otherwise defines many transactions in special ways, with the result that the difference between receipts and deductions for tax purposes is significantly different from PTNI for many classes of corporations. To cite but one important example, banking corporations may exclude, for tax purposes, income from tax-exempt securities, and this is such a large item that the taxable income of banks is typically very much lower than the net income determined by the use of GAAP.

Despite these problems, the IRS data are useful for analytical purposes. The "net income" figures used throughout this monograph do not correspond to the net income figures published in corporate financial statements, yet they permit the extensive statistical arrays included in the tabular material. These "net income" figures are very close to the taxable income concept upon which the ceiling for the contributions deduction is based; hence, they also indicate the extent to which corporations actually make contributions relative to the limitation in the tax law.

The figures for "total receipts less total deductions" used in Table 1, the figures for "net income" used in other tables, and the concept of "taxable income" are not identical.* However, they are sufficiently close that there is very little distortion in the analysis. Much more important problems exist that are purely statistical in nature.

*For example, the NIPA concept excludes all gains and losses from the sale or exchange of capital assets while the GAAP concept specifically includes all such gains and losses. NIPA also differs from GAAP in the treatment of foreign earnings and other transactions. These and other differences are due to definitions of profits before taxes that reflect the different purposes for which the two concepts are employed. In addition, the NIPA figures include the profits of the Federal Reserve Banks.

*Conceptually, net income (loss) equals total receipts reported for tax purposes less total deductions reported for tax purposes, and plus or minus certain adjustments related to includable foreign income received and the foreign dividend "gross-up." Taxable income is yet another concept, and it equals net income less certain other special deductions such as the net operating loss carry forward, the Western Hemisphere credit, and the credit for dividends received from domestic corporations.

Problems of Statistical Procedure

At first glance, it would appear to be a simple matter to calculate contributions as a percentage of any measure of corporate profits before taxes for all corporations combined or for any subset of companies, regardless of the profits concept involved. In reality, however, there are at least three problems that can make a significant difference in the result.

The first has to do with the treatment of companies that report a net loss. Even though the contributions of such companies may not legally be deducted for tax purposes, some of them do report their contributions (e.g., see Tables 5 and 6). The total amount of corporate contributions shown in Table 1 includes both the contributions and the negative PTNI of all these net loss companies. Moreover, it includes the negative PTNI of all other loss companies even though they do not report any contributions that they may have made.

The concept of "contributions as a percentage of PTNI" implies that PTNI is a positive number: it has no meaning when PTNI is negative. There is, therefore, a question whether companies reporting a net loss should be included in the tabulation for all companies or not. Total PTNI is smaller when they are included than when they are excluded, and this means that for a given level of contributions the percentage will be higher when the net loss companies are included than it would be for the profitable companies alone. The degree of distortion will be even larger to the extent that the net loss companies included report their contributions.

The second problem has to do with the treatment of companies not reporting any contributions. The overall figures for the corporate community in Table 1 clearly include the PTNI for noncontributors, even though they add nothing to the total amount of contributions. If they were excluded, then the resulting percentage would measure the level of giving only for the companies that do report contributions, and it would be a larger number.

Clearly there are two separate questions that might be asked: "What is the level of giving for those who give?" and "What is the level of giving for all companies including those who do not give?" The numerical answers will be different, yet each will be correct for the question asked.

These two problems can easily be illustrated with the data from the 1977 tax file. Table 1 shows that total contributions amounted to 0.82 percent of total corporate "net income" including all the companies not reporting any contributions and all the companies reporting a net loss. Table 10 excludes the loss companies but includes the companies with net income not reporting any contributions, and the level of giving is shown to be 0.72 percent. The figure jumps to 0.87 percent in Table 6 as a result of excluding the noncontributors and including the net loss companies. And if both the net loss companies and the companies not reporting contributions are excluded, as in Table 11, the level of giving becomes 0.86 percent.

The question remains: "What was the level of corporate giving in 1977?" These illustrations indicate that the question must be asked rather precisely depending on the purpose involved.

The third problem is purely one of statistical technique. The calculation of contributions as a percentage of PTNI for any group of two or more companies can be made in at least two different ways. The conventional method is simply to express the total amount of contributions for all companies in the group as a percentage of the total PTNI of the group. This is the method used throughout this monograph, and the results are those shown in all the included tables.

An alternative method is to add all the percentages of contributions to PTNI for the individual companies in the group and then to divide by the number of companies included. Depending on the size of the group, the relative importance of large and small companies, and the dispersion of their percentages, this method can give quite different answers from those obtained by the conventional method. Each of these methods, and others, are "averages," or "measures of central tendency," that are statistically acceptable depending on the uses intended. The method used most widely is the conventional one, partly because of the ease of calculation and understanding, and partly because of the notion that if PTNI is a measure of the capacity to give, then the total amount of contributions for a group of companies should be expressed as a percentage of the total PTNI for the group, regardless of how income and contributions are actually distributed among members of the group.

Alternatives to PTNI

The use of PTNI (or any other measure of income before taxes) as a reference base for measuring the level of giving involves so many problems that some consideration should be given to one or more of the available alternatives. One such alternative is mentioned in the text (Tables 9b, 10, and 11): namely, contributions as a percentage of total assets. While the use of assets is not free from problems, it is free from those related to the use of PTNI.

Total assets is an acceptable and frequently used basis for measuring corporate size. By definition, assets cannot be negative. Assets tend to grow with the passage of time. And there is no distinction between assets determined by GAAP and assets reported on corporate tax returns. These properties make assets somewhat superior to PTNI as a point of reference for assessing the level of corporate contributions.

The major drawback to the use of assets stems from the fact that the valuation of assets is conventionally on

the basis of historical cost rather than replacement cost, so that inflation has a disparate effect on contributions and assets. In periods of rapid inflation, contributions tend to increase much faster than assets; consequently, the percentage of contributions to assets tends to rise "artificially."

This defect is of much less significance for the purposes of intercompany comparisons than it is for intertemporal comparisons. As indicated by the figures shown in Table 9b, there is wide variation in the percentages between industries. This variation reflects differences in the degree of capital intensity and other structural dissimilarities between one industry and another. However, the use of assets as a measure of corporate size does provide a very useful basis for an analysis of contributions. This shows clearly in Tables 10 and 11.

While the figures for contributions as a percentage of assets show no discernible pattern as between the industries shown in Table 9b, they show a very well-defined pattern in both Table 10 and Table 11. When corporations are arrayed by size of assets, the data show that contributions as percentages of assets tend to be much larger for small companies than for large companies, and as the size of assets increases the percentage of contributions decreases.*

A comparison of the figures between Tables 10 and 11 also shows that the exclusion of companies not reporting contributions causes a much larger increase in the percentages for small companies than for large companies. This clearly reflects the fact that smaller proportions of small companies report contributions than large companies, but it also suggests that when small companies do report contributions, the amounts they report tend to be much larger relative to their size in terms of assets than is the case with large companies.

The inverse relationship between corporate size and the percentages of giving, whether measured against "net income" or total assets, is a long-standing phenomenon. The Annual Surveys of Corporate Contributions indicate that this relationship has remained constant over time. It tends to show more clearly in the percentages based on total assets than those based on PTNI because the former are unaffected by the ups and downs of the business cycle and the latter are very volatile.

Contributions can also be measured relative to total sales or total employment. The usefulness of such measurements has yet to be explored in any comprehensive way, and the properties of these bases in this context have yet to be examined.

**It should be noted that Table 10 gives figures for contributions as percentages of assets for all companies with net income, including those not reporting contributions. Tables 9b and 11 show figures only for companies with net income that report contributions.*

APPENDIX C

Corporate Giving Measures*

CORPORATE GIVING MEASURES

Thomas Vasquez †

I

DEVELOPMENT OF CORPORATE GIVING, 1935-1970

In 1935 an amendment to the Internal Revenue Code allowed corporations to deduct charitable contributions in computing taxable income. While this amendment limited the deduction to 5 percent of net income,[1] the average contribution level[2] was only about 0.4 percent of net income until after World War II when the level of giving increased to about 1 percent of net income. This level of corporate giving remained relatively constant through 1970. Table 1 shows the pattern of corporate charitable contributions from 1936 to 1970. The peak years for corporate giving were 1968 and 1969, when corporations gave more than $1 billion, more than 35 times the $30 million given in 1936. Of course, corporate profits also grew dramatically during the period, but only one third as much as contributions, which is indicated by the change in the level of contributions as a percent of net income, an increase from 0.38 percent in 1936 to 1.17 percent in 1970. The most meaningful statistic of Table 1 is the ratio of contributions to net income which most closely represents the attitude of corporations to charitable giving. While clearly not a monotonic function, the ratio has been increasing during the entire period. The few obvious deviations are in 1945, 1952 and 1953, but beginning in 1958 at 1 percent of net income, the level increased fairly steadily to 1.28 percent in 1969 and then decreased slightly to 1.17 percent in 1970.

The corporate sector in the U.S. comprises a large number of firms, most of which are relatively small and contribute little to total economic activity. The few giant corporations dominate investment, production, and most other business activity. While not as pronounced in earlier years, these giant corporations also dominate charitable giving. In 1970, 0.2 percent of all firms accounted for more than half of total corporate charitable contributions.

Table 2 indicates the increasing role played by large corporations in the realm of charitable giving. Firms with assets of $100 million or more controlled 48 percent of total corporate assets in 1940; but this percent increased only slightly to almost 57 percent in 1970. The percent of all corporate charitable contributions made by these firms, however, nearly tripled during the same period, from 20.5 percent in 1940 to 54.5 percent in 1970. The major reason for this is not a large increase in the percent holding of net income by this class of corporations, but rather a more than four-fold increase in its level of giving, from 0.21 percent of net income in 1940 to 0.98 percent of net income in 1970. These giant firms are not the only size class to show an increased concern toward charitable contributions. With the exception of the class of firms with $100,000 or less in assets, all classes show an increase in the level of giving relative to their net income. The implication is that corporations, for whatever reason, are making charitable contributions a more substantial part of their business activity.

While the tabulations in Table 2 indicate substantial changes in the pattern of charitable giving by asset size, Table 3 shows that the distribution of contributions by industry group has remained relatively constant during the 30-year period, 1940-1970. The only two significant changes are in the retail trade sector, which shows a 4 percentage point reduction in percent of total contributions made, from 13.3 percent to 9.3 percent. And the finance, insurance, and real estate sector,

†New York State Economic Development Board; former financial economist, U.S. Department of Treasury.

*Thomas Vasquez, "Corporate Giving Measures," Research Papers Sponsored By The Commission on Private Philanthropy and Public Needs, Washington, Department of the Treasury, 1977, pp. 1839-1852.

1840

Table 1

Corporate Charitable Contributions, 1936-1970

Year	Contributions (in thousands)	Contributions as Percent of Net Income
1936	$ 29,968	0.38%
1937	32,727	0.42
1938	27,233	0.66
1939	30,730	0.43
1940	38,124	0.41
1941	58,000	0.35
1942	98,296	0.42
1943	159,221	0.57
1944	234,194	0.88
1945	265,679	1.24
1946	213,872	0.84
1947	241,228	0.76
1948	239,337	0.69
1949	222,566	0.78
1950	252,366	0.59
1951	343,039	0.78
1952	398,579	1.03
1953	494,517	1.24
1954	313,764	0.85
1955	411,082	0.86
1956	417,996	0.88
1957	415,074	0.92
1958	392,404	1.00
1959	481,575	1.01
1960	482,151	1.11
1961	511,872	1.08
1962	594,713	1.09
1963	656,602	1.11
1964	729,389	1.19
1965	785,366	1.05
1966	805,035	.99
1967	829,757	1.05
1968	1,004,803	1.15
1969	1,055,370	1.28
1970	797,029	1.17

Office of the Secretary of Treasury, Office of Tax Analysis — August 29, 1974

which shows a 7.7 percentage point increase in the percent of total contributions made.

Some of the change in the distribution of contributions is due merely to a change in the distribution of net income as indicated by the divergent increases in the ratio of contributions to net income. While the all-industry average ratio of contributions to net income increased nearly threefold from 0.41 percent to 1.17 percent, the increase in specific industries varied considerably. Agriculture, for example, increased its ratio by more than seven times the 0.5 percent level in 1940, whereas mining, communication, wholesale trade, retail trade, and the service industry only doubled their giving ratio.

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Table 2

Percent Distribution of Firms, Assets, Contributions, and Contributions as a Percent of Net Income by Asset Size Class, Selected Years, 1940-1970

Asset Size (in thousands)	Percent of Firms	Percent of Total Assets	Percent of Total Contributions	Contributions as Percent of Net Income
			1940	
Total	100.0%	100.0%	100.0%	.41%
Less than $100	69.1	2.6	6.5	1.60
100-250	14.3	2.9	5.9	.81
250-500	6.7	3.1	5.8	.63
500-1,000	4.2	3.8	7.0	.62
1,000-5,000	4.3	11.5	19.5	.52
5,000-10,000	.6	5.7	9.2	.50
10,000-50,000	.5	14.5	18.2	.37
50,000-100,000	.1	8.0	7.4	.30
100,000 and over	.1	48.0	20.5	.21
			1950	
Total	100.0	100.0	100.0	.59
Less than 100	59.4	2.1	3.3	1.64
100-250	19.6	3.0	5.9	1.08
250-500	8.7	2.9	7.0	1.09
500-1,000	5.1	3.4	8.6	1.07
1,000-5,000	5.4	10.9	22.3	1.00
5,000-10,000	.9	5.8	8.6	.81
10,000-50,000	.7	14.2	17.2	.62
50,000-100,000	.1	6.9	4.8	.38
100,000 and over	.1	50.8	22.4	.30
			1960	
Total	100.0	100.0	100.0	1.11
Less than 100	61.1	1.9	2.4	2.18
100-250	19.8	3.0	3.7	1.25
250-500	9.3	3.1	4.7	1.46
500-1,000	4.8	3.2	5.5	1.62
1,000-5,000	4.3	8.6	14.7	1.57
5,000-10,000	.7	4.9	6.8	1.45
10,000-50,000	.7	13.5	15.4	1.20
50,000-100,000	.1	6.4	7.8	1.10
100,000 and over	.2	55.4	38.8	.72
			1970	
Total	100.0	100.0	100.0	1.17
Less than 100	57.7	1.2	1.9	2.53
100-250	20.2	2.0	2.8	1.07
250-500	10.2	2.3	3.9	1.33
500-1,000	5.6	2.5	4.8	1.67
1,000-5,000	4.5	5.7	11.3	1.75
5,000-10,000	.8	3.4	5.1	1.77
10,000-50,000	.8	10.9	11.2	1.45
50,000-100,000	.1	5.5	4.5	1.21
100,000 and over	.2	56.5	54.5	.98

Table 3

Contributions as a Percent of Net Income and the Percent Distribution of Contributions by Major Industry, Selected Years, 1940-1970

	1940		1950		1960		1970	
	Contributions As a Percent of Net Income	Percent Total Contributions	Contributions As a Percent of Net Income	Percent Total Contributions	Contributions As a Percent of Net Income	Percent Total Contributions	Contributions As a Percent of Net Income	Percent Total Contributions
Total	.41%	100.0%	.59%	100.0%	1.11%	100.0%	1.17%	100.0%
Agriculture	.50	.2	.32	.4	3.92	.3	3.88	.3
Mining	.28	1.5	.31	1.3	.74	1.1	.40	.9
Contract construction	.58	1.0	.99	2.2	2.93	2.3	1.62	3.1
Manufacturing	.35	48.6	.55	52.1	1.21	56.1	1.29	49.5
Transportation	.18	1.6	.21	1.7	1.22	2.1	*	1.9
Communication	.32	2.3	.36	1.1	.43	2.5	.58	3.0
Electric, gas and sanitary services	.31	5.8	.47	2.8	.55	3.3	.92	4.0
Wholesale trade	.64	7.4	.97	10.7	1.54	6.8	1.23	6.8
Retail trade	.95	13.3	1.11	13.8	1.69	7.7	1.43	9.3
Finance, insurance, real estate	.26	9.5	.41	9.6	.74	14.2	.87	17.2
Services	1.30	3.7	1.31	3.0	1.67	- 3.0	2.52	3.8

*Negative net income

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As seen in Table 4, corporate charitable contributions account for about 8 percent of total contributions. With the exception of a large decrease in 1970, this percentage has held fairly steadily since 1956.

Table 4

Total Personal and Corporate Charitable Contributions as Reported on Income Tax Returns, Selected Years, 1956-1970

Year	Total Contributions (in billions)	Percent of Total Contributions Made by Corporations
1956	$ 5.30	7.9%
1958	6.08	6.4
1960	7.23	6.7
1962	8.12	7.3
1964	9.06	8.0
1966	9.93	8.1
1968	12.14	8.3
1970	13.69	5.8

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II

CROSS-SECTIONAL VIEW OF CORPORATE GIVING, 1970

The information presented in the first section of this paper is valuable in that it places in perspective and traces the development of corporate charitable contributions over the last 35 years. Certainly, it is of some interest that since the mid-1950s corporations have fairly consistently made contributions averaging 1 percent of net income. As will be shown in this section, however, averages are particularly misleading in the area of corporate charitable contributions.

In 1970, 1.7 million corporations filed income tax returns but only 20 percent of these firms made charitable contributions and only 6 percent of the total number of firms made contributions of over $500. Table 5 shows the distribution of firms by size of contribution. The most striking figures are that nearly 50 percent of total corporate charitable contributions is made by less than 0.05 percent of all corporations and more than 75 percent of all contributions is made by the 0.4 percent of firms that contributed at least $10,000.

Also shown in Table 5 is that 2.2 percent of firms with negative income made charitable contributions. Given the 5 percent of net income limitation on charitable

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Table 5

Percent Distribution of Firms and the Amount of Charitable Contributions by Size of Contributions, 1970

Size of Contribution	Contributions		Percent of Total Firms With		All Firms
	Amount (in thousands)	Percent	Net Income	Deficit	
0	$ 0.0	0.0%	67.9%	97.8%	80.2%
Less than $500[a]	0.0	0.0	21.9	1.9	13.7
$500-1,000	61,076	7.8	6.1	.2	3.7
$1,000-5,000	79,296	10.1	2.8	.1	1.7
$5,000-10,000	43,592	5.6	.6	*	.4
$10,000-25,000	61,037	7.8	.4	*	.2
$25,000-50,000	47,936	6.1	.1	*	.1
$50,000-100,000	52,088	6.6	.1	*	.1
$100,000-200,000	51,934	6.6	*	*	*
More than $200,000	388,816	49.5	.1	*	*
Total	$785,776	100.0%	100.0%	100.0%	100.0%

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*Less than .05%.

a. Entries on the corporate file used to generate this table are rounded to thousands of dollars. Entries of less than $500 are rounded to zero. An indicator is used to differentiate zero entries from entries rounded to zero. While a count of firms with rounded entries can be made, the amount of contributions cannot be determined.

contributions, these firms are not allowed to use the contributions as a deduction. The data base is comprised of unaudited returns, and these deductions will eventually be disallowed.[4] Excluding firms with a deficit, the percent of firms making a contribution is 32.1 percent of firms with positive income; 10.2 percent of firms with net income made contributions of more than $500.

Table 6 shows the number and percent of firms making contributions and the average contribution by the same size class of contributions used in Table 5. Table 5 indicated that the largest size class accounted for 50 percent of total contributions. As indicated in Table 6, there are only 516 firms in this class; they gave an average of more than $750,000 which was 1.16 percent of their net income.

While Tables 5 and 6 clearly indicate that only a few firms dominate charitable giving, this result is consistent with the general nature of U.S. business. The U.S. economy is characterized by a large number of small firms and a few very large

Table 6

Number and Percent Distribution of Firms Making Contributions, Average Contribution, and Contributions as a Percent of Net Income by Size of Contribution, 1970

Size of Contribution	Firms Making Contributions		Contributions As a Percent of Net Income[a]	Average Contribution[a] (in thousands)
	Number	Percent		
Less than $500[b]	228,493	69.1%	0.0%	$ 0.0
$500-1,000[b]	61,076	18.5	1.45	1.0
$1,000-5,000	28,350	8.9	1.45	2.8
$5,000-10,000	5,811	1.8	1.49	7.5
$10,000-25,000	3,818	1.2	1.44	16.0
$25,000-50,000	1,339	.4	1.33	35.9
$50,000-100,000	751	.2	1.21	69.3
$100,000-200,000	377	.1	1.17	137.6
More than $200,000	516	.2	1.16	755.2
Total	330,532	100.0%	1.15%	$ 2.5

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a. Excludes firms with a deficit.
b. Entries on the corporate file are in thousands of dollars, thus amounts less than $500 are rounded to zero and amounts between $500 and $1,000 are rounded to $1,000.

firms which dominate production, employment, investment, and most other business activity. The absolute levels of charitable contributions show a large variance (from zero to more than $1 million for a few firms), but clearly a second, and perhaps a more meaningful, way to compare charitable contributions is to look at contributions as a percent of net income. Table 7 provides such a tabulation, and the results are somewhat striking. Twenty-seven percent of charitable contributions are made by firms giving at least 5 percent of net income, and while only 3 percent of all firms with positive net income give at this level, this 3 percent represents 29 percent of firms making contributions. Another interesting result of Table 7 is that firms making contributions at a level of 1 percent or less of net income tend to have higher average absolute levels of contributions. The highest average contribution level of $17,700 is made by firms giving between 0.6 and 0.8 percent of net income.

Table 8 disaggregates the results of Table 7 to 11 industry sectors. The "total" row of Table 8 is calculated directly from Table 7 and shows that 60.4 percent of firms making contributions of more than $500 made contributions of at least 3

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Table 7

Percent of Firms, Percent of Total Contributions, Percent of Net Income, and the Average Contribution Per Firm for Firms With Positive Income, by Contributions as a Percent of Net Income Size Classes, 1970

Contributions as a Percent of Net Income	Percent of Firms	Percent of Contributions	Percent of Net Income	Average Contribution (in thousands)
0%	89.8%	0%	25.4%	$ 0
0-0.2	.2	.9	9.7	5.0
0.2-0.4	.3	4.8	13.8	12.3
0.4-0.6	.4	4.5	8.9	10.2
0.6-0.8	.3	7.7	10.4	17.7
0.8-1.0	.4	6.6	7.0	15.0
1.0-1.2	.3	3.8	3.2	9.1
1.2-1.4	.3	4.2	3.0	10.7
1.4-1.6	.3	3.5	2.2	9.8
1.6-1.8	.3	4.8	2.6	13.9
1.8-2.0	.3	2.1	1.0	5.6
2.0-2.5	.6	4.3	1.8	5.8
2.5-3.0	.5	5.8	2.0	8.8
3.0-4.0	1.4	8.7	2.4	5.0
4.0-5.0	1.7	11.7	2.4	5.5
5.0 and over	3.0	26.6	4.4	7.1
Total	100.0%	100.0%	100.0%	$ .8

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percent of net income and that these firms accounted for 47 percent of total contributions. With the exception of the utility industries—communication and the electric, gas, and sanitary service industry—each industry sector follows a similar pattern. More than half of the firms making contributions of more than $500 give at least 3 percent of net income. The utility industries deviate from this pattern due to a number of reasons. One reason is that these industries are regulated, and a critical legal question arises over the right of a regulated company to request higher service rates due to the cost incurred in making a charitable contribution. Low percentage levels of giving may be acceptable to regulatory agencies. A second reason rests on the behavior of large firms in general. Independent of the industry or level of government intervention, large firms, while giving large absolute amounts,

Table 8

Percent of Firms and Percent of Contributions Made by Firms, by Selected Levels of Contributions as a Percent of Net Income, by Industry (Corporations Only), 1970

Industry	Contributions As A Percent of Net Income								
	At Least 3 Percent			At Least 4 Percent			5 Percent or More		
	Number of Firms as % of		Percent of Total Contributions	Number of Firms as % of		Percent of Total Contributions	Number of Firms As % of		Percent of Total Contributions
	All Firms With Net Income	Firms Making A Contribution of $500 or More		All Firms With Net Income	Firms Making A Contribution of $500 or More		All Firms With Net Income	Firms Making A Contribution of $500 or More	
Agriculture	2.7%	61.6%	59.3%	2.1%	48.4%	38.0%	1.4%	31.9%	27.0%
Mining	5.3	48.5	33.6	3.9	35.4	29.3	2.2	20.3	15.2
Contract construction	6.8	64.1	61.0	5.0	47.1	47.9	3.1	29.3	31.2
Manufacturing	10.1	48.6	41.1	7.8	37.7	33.7	4.9	23.8	24.2
Transportation	3.2	58.3	67.5	2.4	48.2	58.2	1.7	24.1	46.5
Communication	4.6	47.0	27.4	3.8	38.5	27.0	2.5	25.7	7.5
Electric, gas and sanitary services	2.8	28.4	23.9	1.8	18.8	20.3	1.6	16.4	15.5
Wholesale trade	8.0	59.1	62.8	5.9	43.3	50.1	3.6	26.7	32.2
Retail trade	5.7	71.0	47.3	4.4	55.6	35.6	2.8	35.4	23.5
Finance, insurance and real estate	4.6	59.6	60.5	3.6	46.5	50.4	2.4	31.2	35.9
Services	4.0	69.4	61.2	3.2	54.9	45.9	2.1	37.0	32.5
Total	6.1%	60.4%	47.0%	4.7%	46.5%	38.3%	3.0%	29.4%	26.6%

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tend to limit their contributions to a lower than average percent of net income, and clearly the utility industries are, for all practical purposes, dominated by a handful of giant companies.[5]

Tables 5 through 8 are concerned primarily with the size of contributions both in absolute terms and in relation to the net income of the firm. Tables 9, 10, and 11, however, are concerned more with describing the firms making contributions. Table 9 provides a description of charitable contributions by industry group. While only 36.5 percent of all firms with net income made charitable contributions in 1970, these firms controlled 83.4 percent of total assets, which supports the contention that contributing firms are larger than average. This fact holds in every industry group of Table 9 with the effect most pronounced in the two utility industries where more than 95 percent of the assets are controlled by firms making contributions. The two utility industries are also differentiated by their relatively large average contribution which is more than 8 times the average contribution for all firms, $790.

The manufacturing sector stands out most notably in the area of charitable contributions with 48.1 percent of firms with positive income making a contribution. These firms control 95.1 percent of the assets in the manufacturing sector, which is the highest participation rate of all sectors excluding the utility industries. In addition, this sector accounts for 50 percent of all contributions while accounting for only 19 percent of total assets and 12 percent of total firms.

Tables 10 and 11 look at much the same items as in Table 9, but are tabulated by asset size rather than by industry group. The first four columns of Table 10 show the percent distribution of selected items by asset size class. As indicated above, the large firms dominate most business activity. Eighty-five percent of all firms own only 3.9 percent of total assets and produce only 12.8 percent of net income. The role of these firms in the charitable contribution area is also minimal. They account for only 7.1 percent of total contributions with gifts averaging less than $100 at a level of only about 0.4 percent of net income.

Of course, as asset size increases, the absolute level of average contributions increases, to a high of nearly $650,000 for firms with $1 billion or more of assets. More interesting, however, is the pattern shown when contributions are expressed as a percent of net income. Relatively large firms with assets of between $5 million and $500 million give at a level of about 1.2 percent of net income, higher than the level given by smaller firms. The percent drops to 0.8 percent for giant companies of $500 million or more of assets which is slightly lower than 0.9 percent average for all firms.

Table 11 shows the participation of firms with net income in the charitable contribution area by asset size class. As asset size increases, the percent of firms making a contribution increases. While there are only slight variations in the higher asset size groups for firms with net income, for all firms the participation rate drops to 75.4 percent in the $1 billion and over asset size class from a high of 86.7 percent in the $500 million to $1 billion size class. Eighty-five of the 346 firms in this class do not report charitable contributions. The percent of assets owned by firms reporting contributions follows much the same pattern as the percent of firms, with the exception of the largest size class. Apparently, those making contributions in that class are smaller than the class average. Of course, contributions as a percent of net income are higher when noncontributing firms are excluded, and the pattern changes considerably across asset size classes. While the pattern is not monotonic, the general trend is an increase to 1.6 percent of net income in the $500,000 to $1 million size class and a gradual decrease to 0.9 percent in the two largest asset classes.

Table 9

Percent Distribution of Firms, Charitable Contributions, and Average Contributions for Firms With Net Income, by Major Industry Group, 1970

Industry	Firms		Assets		Percent of Charitable Contributions	Average Contribution (in dollars)
	Percent of Total	Firms Making Contributions as a Percent of Total Firms in the Industry	Percent of Total	Assets of Firms Making a Contribution as a Percent of Assets of All Firms in the Industry		
Agriculture	2.0%	20.0%	.3%	52.2%	.3%	$ 110
Mining	.7	32.5	.7	78.7	.9	1,000
Contract construction	8.1	34.4	1.2	68.8	3.0	290
Manufacturing	12.0	48.1	19.1	95.1	50.2	3,320
Transportation	2.9	25.4	1.7	75.4	1.8	490
Communication	.5	34.3	2.8	97.7	3.1	5,280
Electric, gas, and sanitary services	.4	26.9	4.2	95.7	4.1	7,770
Wholesale trade	11.8	41.2	2.7	76.0	6.7	450
Retail trade	21.9	35.7	3.3	75.3	9.1	330
Finance, insurance, and real estate	24.9	20.8	47.0	78.5	17.2	550
Services	14.8	27.5	17.2	62.6	3.6	190
Total	100.0%	36.5%	100.0%	83.4%	100.0%	$ 790

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Table 10

Percent Distribution of Firms, Assets, Charitable Contributions, and Net Income and the Average Contribution Per Firm and Contributions as a Percent of Net Income for Firms Having Positive Income, by Asset Size Class, 1970

Asset Size (in thousands)	Percent Distribution				Average Contribution (in thousands)	Contribution as a Percent of Net Income
	Firms	Assets	Contribution	Net Income		
$0	2.1%	0.0%	.5%	.8%	$ .2	.5%
$0-25	16.4	.1	.1	.6	.0	.1
$25-50	12.5	.2	.2	.8	**	.2
$50-100	17.6	.5	.5	1.8	**	.3
$100-500	36.3	3.1	5.8	8.8	.1	.6
$500-1,000	7.0	1.8	4.7	4.4	.5	1.0
$1,000-5,000	5.6	4.2	11.5	9.5	1.6	1.1
$5,000-10,000	1.0	2.6	5.2	3.9	4.2	1.2
$10,000-25,000	.8	4.8	6.2	4.8	5.9	1.2
$25,000-50,000	.3	4.2	5.2	4.1	12.6	1.2
$50,000-100,000	.2	4.5	4.6	4.4	20.9	1.0
$100,000-500,000	.2	13.2	18.3	14.2	85.9	1.2
$500,000-1,000,000	*	7.7	8.6	9.9	229.9	.8
$1,000,000 and over	*	53.1	28.6	31.9	643.7	.8
Total	100.0%	100.0%	100.0%	100.0%	$ .8	.9%

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* Less than .05%
**Less than $50

Table 11

Firms, Assets, and Net Income for Firms Making Contributions as a Percent of All Firms, by Asset Size Class for Firms With Positive Income (Corporations Only), 1970

Asset Size (in thousands)	Firms		Assets		Net Income		Average Contribution (in thousands)	Contribution as a Percent of Net Income
	Percent of Total Firms	Firms Making a Contribution as a Percent of Total Firms in the Asset Size Class	Percent of Total	Assets of Firms Making a Contribution as a Percent of Total Assets in the Asset Size Class	Percent of Total	Net Income of Firms Making a Contribution as a Percent of Total Net Income in the Asset Size Class		
$0	1.0%	15.5%	0.0%	0.0%	.5%	53.0%	$ 1.2	1.0%
$0-25	6.2	16.0	*	18.4	.1	14.6	**	.9
$25-50	7.4	23.8	.1	24.1	.2	20.0	.1	1.2
$50-100	13.0	29.7	.2	30.0	.6	26.3	.1	1.0
$100-500	42.4	43.5	1.8	46.0	4.7	42.9	.3	1.4
$500-1,000	11.9	58.1	1.4	58.6	3.4	62.4	1.0	1.6
$1,000-5,000	11.5	67.9	4.1	68.6	9.0	76.6	2.5	1.5
$5,000-10,000	2.4	79.0	2.9	79.1	4.1	84.4	5.3	1.5
$10,000-25,000	2.2	83.5	5.7	83.8	5.1	85.4	7.1	1.4
$25,000-50,000	.9	85.4	5.2	85.1	4.5	87.6	14.7	1.3
$50,000-100,000	.5	83.3	5.3	83.0	4.6	84.6	25.1	1.1
$100,000-500,000	.4	84.4	15.9	84.7	15.6	88.8	101.8	1.4
$500,000-1,000,000	.1	86.7	9.7	87.4	11.5	94.5	265.2	.9
$1,000,000 and over	.1	75.4	47.7	62.9	36.1	91.8	854.3	.9
Total	100.0%	36.5%	100.0%	70.0%	100.0%	80.9%	$ 2.5	1.2%

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* Less than .05%
** Less than $50

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Footnotes

1. The 5% limit is computed without regard to the charitable deduction.

2. A corporation may contribute the use of its employees rather than making a gift of cash or property. If the former type of gift is made, the deduction is reported as a business expense rather than as a charitable contribution. Contributions reported as business expenses cannot be tabulated and thus are not included in total contributions. This qualification holds for all such references in the paper.

3. The statutory limitation is 5% of taxable income plus the charitable contribution and excluding certain items such as the deduction for domestic dividends received, interest on U.S. obligations, Western Hemisphere Trade deductions and a few other less important items. These exclusions, in effect, limit the deduction to 5 percent of net income plus the amount of the contribution.

4. Charitable contributions above the 5% limit may be carried over to the 5 succeeding taxable years, and these years are also subject to the 5% limit. This fact points out one further shortcoming of the data. The contributions in the corporate file refer to the amount taken as a deduction in 1970. To the extent of carry forwards, the deductions reflect contributions made in prior years.

5. Forty-one companies, which is only 0.5% of the number of firms in the two industry sectors, have assets of more than $1 billion and control more than 70% of the assets of the two industries.

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